Austria	Sch26	Indonesia	Rp3100	Philippines	Pso40
Bahrain	Din0.700	Iran	Rls270	Portugal	[illegible]
Belgium	BFr55	Israel	[illegible]	Qatar	QR9.50
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	[illegible]	Singapore	S$4.10
Egypt	E£3.25	Kuwait	[illegible]	Spain	Pta165
Finland	[illegible]	Lebanon	[illegible]	Sweden	SKr12
France	[illegible]	Lux	LFr55	Switz	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Thailand	[illegible]
Greece	Dr150	Morocco	[illegible]	Tunisia	[illegible]
Hong Kong	HK$12	Neth	Fl3.25	Turkey	[illegible]
Hungary	Ft107	Nigeria	[illegible]	UAE	Dh7.00
Iceland	[illegible]	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Monday January 29 1990

D 8523A

NORTH KOREA

East Europe warning for Kim Il Sung

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World News

Romanian leader in talks with opposition

Ion Iliescu, Romania's interim President, held urgent talks with opposition leaders after thousands of demonstrators from rival factions surrounded the five-week-old Government's headquarters.

The opposition parties accused ruling National Salvation Front leaders of betraying the revolution by clinging to Communist methods. Page 20

Bush plea on race

US President George Bush, in brief remarks to a black church congregation in Washington, urged the American people to leave the "baggage of bigotry" behind.

Gorbachev criticised

Mikhail Gorbachev, Soviet President, is facing renewed nationalist criticism of the military occupation of Baku – this time from Russian nationalists who are demanding the return of "our boys" from Azerbaijan. Page 2

Success for Greens

Work on a large military radar installation in the western Ukraine has been halted after public demonstrations about its possible environmental hazards, a further indication of growing anti-military sentiment in the Soviet republics. Page 20

Yugoslav unrest

At least 14 ethnic Albanians were killed as violence continued in Yugoslavia's southern province of Kosovo. Page 20

US bases to close

Greek Defence Minister Tzannis Tzannetakis is to announce the closure of two of the four US military bases in Greece, under an American plan to shut down 100 installations worldwide. Page 3

Modrow rescue plan

Hans Modrow, East Germany's faltering Communist Prime Minister, opened talks to prevent the collapse of his coalition government by bringing in the opposition and creating a non-party alliance. Page 2

SA police reforms

South Africa's President F.W. de Klerk appears to be maintaining the pace of reform, with reports that he has told senior police officers he wants them out of the political arena. Page 4

Ecuador drugs war

Ecuador's Government has put forward a tough new anti-drug law and a constitutional amendment on extradition which is to be discussed by a special session of Congress next month. Page 4

Japan's TV debate

Japan will hold its first televised campaign debate in 30 years between Prime Minister Toshiki Kaifu and leaders of the four opposition parties as the Liberal Democratic Party struggles to retain power in next month's election.

Java death toll rises

Unrelenting rains swept the death toll in floods in Indonesia to 133, with 119 deaths in central Java.

Churchmen arrested

Twelve Chinese Catholic bishops were arrested as part of a new drive by China's communist rulers against the underground Catholic church.

Taiwan fire kills 27

At least 27 people were killed when a fire engulfed a Taiwan entertainment complex on the second day of the Chinese lunar new year holiday.

Filipinos flee

About 7,000 Filipinos have fled their homes to escape fighting between government troops and Moslem rebels avenging the murder of a Moslem family.

Support for Castro

Tens of thousands of Cuban students and workers carrying torches marched through Havana and other Cuban cities in protest at a US plan to set up a TV station hostile to president Fidel Castro.

Hurd visits US

Foreign Secretary Douglas Hurd was flying to the US tonight for three days of talks likely to be dominated by the question of the forced repatriation of Vietnamese boat people from Hong Kong.

Ferry collision

Around 150 people were feared drowned when a ferry sank in a Bangladesh river after colliding with another vessel.

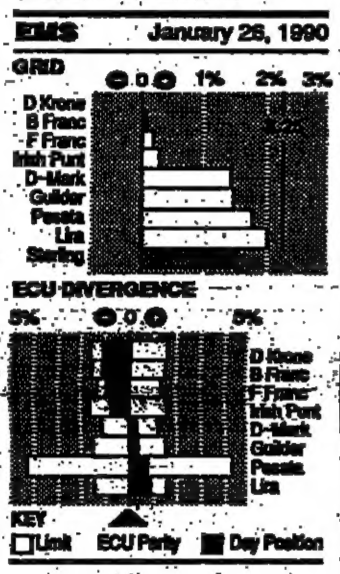
Business Summary

Exxon risks court action over Alaska oil clean-up

Alaskan authorities threatened to take Exxon, the US oil company, to court if it refused to continue efforts to restore the 1,000 miles of Alaskan coastline damaged by the worst oil spill in US history. Exxon, which last week increased to $1.38bn provisions against its 1989 earnings to help pay for the Alaskan spill, has not announced whether it will resume the clean-up when weather conditions permit in the spring. Page 20

BRITISH Aerospace plans to broaden its activities by deepening its relationships with its international allies, including Honda of Japan, Daimler-Benz of West Germany and Thomson-CSF of France, according to Professor Roland Smith, the company's chairman. Page 20; BA's future, Page 18

EUROPEAN Monetary System: Economic news from foreign countries depressed the D-Mark at the end of last week. Strong US durable goods and GNP data kept the dollar firm, while UK trade figures were better than expected and the French current account swung into surplus in November. The D-Mark weakened and the main pressure in the EMS came from the strength of the lira, which rose above its divergence limit against the weakest placed Danish krone.



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the European Currency Unit (Ecu), itself derived from a basket of currencies.

JAPAN'S industrial output was up 5.9 per cent in 1989 according to figures from the Miti as the production index of mining and manufacturing industries rose to 119.7 last year on a base 100 in 1985. Page 4

TELEDYNE, California conglomerate, will go ahead with the spin-off of its finance and insurance subsidiaries to shareholders, a move which analysts see as the first step in the company's break-up. Page 25

EAST German officials start talks in Brussels for what looks like being the fastest negotiation for a trade and economic co-operation agreement that an East European country has conducted with the EC. Page 3

SWEDEN: Talks were held to settle a pay dispute threatening to close Sweden's banking system from this morning. Page 3

WORLD Bank president Barber Conable proposed emergency loans for China totalling $90m which are set to be approved by its board in 10 days. Page 4

COURTAULDS Textiles, an arm of the UK chemicals and textiles group being spun off into an independent company, is establishing a £150m ($244.5m) credit line from a group of international banks to provide it with medium-term finance and a group of relationship banks. Page 22

COLES Myer, Australia's largest retailer, will suffer a 10 per cent slide in first-half profits and a slowing of sales growth, the company has warned shareholders. Page 25

NORWAY'S Finance Ministry is expected to announce a proposal for sweeping changes concerning the ownership structure of banks, increasing foreign ownership limits and allowing savings banks to become shareholder companies. Page 25

US budget aims to halve deficit

By **Peter Riddell**, US Editor, in Washington

THE Bush Administration will today unveil a budget intended to cut the US federal budget deficit by nearly half in the 1991 fiscal year. The savings will be made by a mixture of higher tax revenues, wide-ranging cuts in domestic programmes and modest short-term reductions in defence spending.

In an introduction to the budget leaked over the weekend, Mr Richard Darman, the Budget Director, urges Congress to be "serious" about the task of deficit reduction rather than escape into the traditional "Wonderland" pattern. He said yesterday that there was "an awful lot of hypocrisy and posturing" at present.

The budget will be modified over the next few months by the Democrat-controlled Congress, with intense debates both on how to finance the social security system and over the future scale of US defence commitments and resources. Mr Darman said yesterday he would like to see "a big comprehensive" deficit reduction package, although he thought this unlikely and that cuts would be incremental.

Mr Darman in his introduction warns against overestimating the "peace dividend" of lower defence spending resulting from the easing of east-west tensions. He also warns against spending this money several times over in other ways.

He underlines large potential liabilities from unfunded health and retirement programmes, environmental clean-up and losses in federal credit and insurance.

The deficit reduction proposals of $36.5bn needed to meet the target include more than $17bn in cuts in domestic programmes, more than $13bn in higher tax revenue and only $6bn in cuts in the defence budget.

He projected a gradual decline in the federal deficit, in line with the statutory Gramm-Rudman targets with a surplus in three years' time. The budget for fiscal 1991 starting this October projects a 9 per cent increase in revenue to $1,170bn and a 3 per cent rise in spending to $1,230bn. The resulting deficit is estimated at $63.1bn, just under the statutory target.

MAIN POINTS

- 9 per cent increase in revenue projected for fiscal 1991 to $1,170bn
- 3 per cent rise in spending to $1,230bn
- Defence spending to rise to $292.1bn, an increase of 2 per cent less than inflation
- $17bn cuts in domestic programmes

In the current 1990 fiscal year the deficit is estimated at $123.8bn, compared with the statutory target of $100bn as included in last November's budget bill. Such overshoots are familiar from the past and underline how difficult it will be to cut the deficit.

The Administration is hoping for a combination of higher revenues produced by economic growth and specific budgetary changes. On the basis of existing programmes and assumed economic growth of 2.6 per cent during 1990, the deficit for fiscal 1991 would be about $100n.

The budget sticks to President George Bush's "no new taxes" pledge in the sense of no major new direct or indirect taxes. However, there are proposals for new fees for the users of government services and property such as national parks, and continuation of excise taxes, due to expire, on telephone calls and similar services. In addition, tax receipts are initially expected to be boosted by the increased activity resulting from a cut in capital gains tax.

On defence, the budget is projected to rise in cash terms to $292.1bn but this is $6bn, or 2 per cent, less than needed to keep up with inflation. Further 2 per cent annual cuts are proposed for the first half of the 1990s, producing sizeable cumulative savings.

Given the budgetary pressures, the Democrats will be tempted to press for much larger immediate defence cuts, but the Administration wants to move cautiously ahead of any agreement this year on conventional force reductions in Europe.

Mr Darman warns in his introduction that the near-term peace dividend is likely to be "smaller than is commonly assumed" as the true cost of previously approved individual defence programmes is substantially higher than overall Pentagon funding levels.

Larger immediate savings will come from domestic programmes such as Medicare payments to hospitals and doctors, on housing assistance and transport subsidies.

In his introduction, Mr Darman warns of a big potential shortfall on unfunded future federal liabilities. On an annual basis, this shortfall may be between ½ and 1 per cent of Gross National Product, or between $25bn and $50bn.

Initial reactions from congressional leaders to the figures were critical. Senator Jim Sasser, Democratic chairman of the Senate Budget Committee, said: "We're being presented a sermonette in lieu of serious proposals to stop the haemorrhage. No amount of hand-wringing will substitute for positive proposals."

Military bases close, Page 3

Lafontaine: challenge to Kohl

Saarland victory for Lafontaine in state poll

By **David Goodhart** in Bonn

MR Oskar Lafontaine, a senior West German Social Democrat, is almost certain to be the party's choice to challenge Chancellor Helmut Kohl in coming federal elections after his convincing win yesterday in an important state election.

An official announcement on his candidature is expected today.

According to television computer projections last night, the Social Democratic Party increased its share of the vote in Saarland to 55 per cent. This compared with 49 per cent in 1985 when it overthrew a generation of Christian Democrat rule to win a one seat absolute majority in the state parliament.

The state election was the first in West Germany since the peaceful revolution in East Germany and ushers in a year of elections with a further three state elections and national elections in both East and West Germany.

The CDU, whose candidate was Mr Klaus Toepfer, currently Environment Minister in Bonn, dropped below its poor result in 1985 and attracted only 33.7 per cent.

Support for the liberal Free Democrats, junior coalition partner in Bonn, fell most sharply of all from 10 per cent in 1985 to just over 5 per cent.

Significantly, the new far-right Republican Party scored only 3.5 per cent, failing to clear the 5 per cent hurdle which would give them parliamentary representation. The Greens repeated their disappointing result of 1985 with 2.5 per cent.

Mr Lafontaine's campaign stressed social rather than nationalist themes and he infuriated many of his opponents by calling for an end to

Continued on Page 20

Brandt in E Germany, Page 2

India warns Pakistan over Kashmir

By **David Housego** in New Delhi

INDIA has warned Pakistan that it will not tolerate interference in Kashmir and will prevent the secession of the state at all costs.

For the first time since the outbreak of the separatist revolt in the sensitive border territory, Indian ministers are talking about the possibility of war with Pakistan.

Intense diplomatic efforts are under way to defuse what is seen in Delhi as a potentially major confrontation.

This coincides with the Indian army embarking on a major operation in Kashmir with the aim of restoring order prior to exploring prospects for a political settlement.

In Srinagar yesterday streets were deserted as authorities lifted then reimposed a curfew on the ninth day of a crackdown on Moslem separatists along with a news blackout. At other towns in the Valley there was further violence and arson, with demonstrators in Anantnag attacking government offices.

Several foreign correspondents were expelled yesterday from Kashmir. The two countries have blamed each other for a revolt in which at least 60 people have died since January 21.

The sudden hardening of India's position follows what it regards as the failure of talks with Mr Yakub Khan, the Pakistan Foreign Minister. He went to Delhi to underline Pakistan's repeated denial that his country was arming Kashmiri militants and to emphasise Pakistan's belief that Kashmiris should be allowed to choose whether they want union with India or Pakistan or independence.

Appeals by Opposition or Kashmiri groups in Pakistan for further help to the militants in Kashmir are viewed as attempts to dismember India.

At a large Opposition rally in Karachi over the weekend, Mr Nawaz Sharif, the Pakistani Opposition leader, called for international support for "freedom fighters" in Kashmir and the Punjab.

In Muzaffarabad, capital of the Pakistani-controlled sector of Kashmir, thousands of Kashmiris have called for an Islamic holy war against India. Ten thousand people carried banners and yelled: "Indian dogs go back," on Friday.

Ms Benazir Bhutto, the Pakistani Prime Minister currently recovering from the birth of her second child, yesterday sacked Baz Mohammad Khetran, the Cabinet minister responsible for Kashmir, adding to the air of uncertainty. He has been unpopular with the state government and Ms Bhutto gave the job back to Mohammad Hanif Khan, who had held it in the early months of her 14-month-old government.

Delhi fears that Kashmir could be slipping from its grasp. This touches the very nerve of India's identity as a secular state able to embrace both Moslems and Hindus.

India faces "possibly its biggest challenge since independence," says Mr Jaswant Singh, a senior parliamentarian.

Mr A. B. Vajpayee, a former Indian Foreign Minister and now leader of the radical Hindu BJP party which is pushing the Indian Government to take a hard line, said: "We do not want to fight. But war is being imposed on us. In the last war, they (Pakistan) lost Bangladesh. Now what do they want to lose?"

As part of the major diplomatic effort India is now undertaking to woo international opinion, Mr Henry Rowen, a senior US defence official, has been told by Mr I.K. Gujral, the Indian Foreign Minister, that an outbreak of hostilities would not be in US interests.

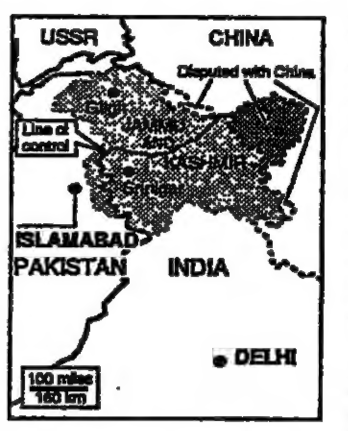
Mr Mufti Mohammad Sayeed, the Home Minister, told an all-party parliamentary committee meeting that the massive deployment of troops in Srinagar had thwarted plans by extremists last week to capture vital installations there.

The threat of war stems from the belief that Indian army action will not defuse Kashmiri anger or the now massive popular support for the militant-led independence movement.

The longer the insurgency continues, the stronger the tendency for India to blame Pakistan for a situation it is unable to master. Many in government or close to it believe that Pakistan sees in the separatist insurgency an opportunity to sever Kashmir from India at little cost at a time of changing government in Delhi.

Kashmir has been one of the world's most remote but persistent flashpoints since Indian partition in 1947. The territory is disputed between India, Pakistan, China and Kashmiri independence fighters.

- **1947: After partition Hari Singh argued for independence before bowing to pressure from Delhi to accede to India. War broke out immediately lasting until December 1948 when a UN-negotiated ceasefire gave Pakistan about a third of Moslem Kashmir, plus the Hindu-dominated southern area of Jammu.**
- **1965: Pakistani attacked the Rann of Kutch in April 1965 and launched ill-fated Operation Gibraltar. Soviet-mediated ceasefire signed at Tashkent.**
- **1971: Pakistan and India at war, with India supporting the Bengalis' battle for an independent Bangladesh.**
- **1984-1989: Renewed fighting, with hundreds killed, along Siachen glacier on the northern edge of Kashmir after India occupied 1,000 square miles.**



Troubled Bank of New England asks for chairman's resignation

By **Anatole Kaletsky** in New York

BANK of New England, the troubled Boston-based bank whose $1.5bn in property losses have threatened the US banking system with its latest mini-crisis, has dismissed its chairman, Mr Walter Connolly.

Mr Connolly's resignation, which was submitted "at the request of" the bank's board, came shortly after it emerged on Friday that Bank of New England had been forced to borrow heavily from the discount window at the Federal Reserve Bank of Boston.

As part of a plan to shed assets worth about $6bn, the sale of $800m worth of credit card receivables is expected today.

While there was no formal indication that the central bank had ordered Mr Connolly's dismissal, the Fed has increasingly attached penal conditions to heavy borrowing from the discount window, which is intended as an emergency or short-term source of funds.

In this case, Bank of New England is believed to have been responsible for almost all of the $478m in discount borrowing reported by the Boston Fed last week. The previous week's discount window lending in Boston stood at only $8m.

Bank of New England, the 18th largest bank in the US and the second largest in the New England area, revealed a $1.2bn quarterly loss on January 19 after making a $1.5bn provision for non-performing property loans.

Although the bank had warned several months ago of big problems in real estate lending, the losses announced were much worse than analysts had foreseen.

As a result the bank's capital fell to less than $500m, compared with total assets of about $29bn.

Bank of New England's problems were known to be a big factor in the sharp declines on Wall Street in the past two weeks. But they provoked even more concern among the bank's uninsured wholesale depositors.

The discount borrowing from the Fed last week was understood to have been necessary to replace heavy outflows by large depositors.

Under US law, deposits of up to $100,000 are insured by the Federal Deposit Insurance Corporation, but larger deposits enjoy no automatic government backing.

Bank officials confirmed there had been larger-anticipated declines in the bank's wholesale deposits.

But the officials did predict, however, that these funds would return when "customers see some positive developments."

The bank announced two weeks ago that it would dispose of assets worth about $6bn as soon as possible in order to improve its capital ratios and financial condition.

One deal already announced was the sale of $450m in leases to General Electric Capital Corporation. Bank officials said that payment for this transaction was expected early this week.

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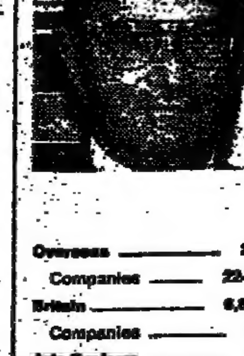
THE MONDAY INTERVIEW



Alberto Vitale (left) new chairman of Random House, biggest US trade publisher, has made his name as a cost-cutter. Soft-spoken but tough-minded, Italian-born Vitale is undoubtedly "Mr Bottom Line."

Patriarch of German unity keeps rein on his emotions

David Marsh hears words of caution from Willy Brandt for fellow Social Democrats in Gotha, East Germany

Brandt: open-air rallies

AS Mr Willy Brandt ended his speech on Saturday night to a throng of 100,000 in the medieval East German town of Gotha, the former West German chancellor raised his left hand in a gesture of classic ambiguity.

"Deutschland einig Vaterland" (Germany, one Fatherland) chanted the audience in one more surging reminder of East German desire for unity with the West. With short, stomping movements of his arm, Mr Brandt, tried to dampen the ardour – but simultaneously appeared to be beating time to the crowd's thunderous refrain.

Mr Brandt, the executor 20 years ago of the Social Democratic Party's Ostpolitik of building bridges with Eastern Europe, has now become, in both East and West Germany, the patriarch of German unity.

A tanned, distant, remarkably self-controlled 76-year-old, Mr Brandt – for all the lines on his face – also seems a symbol of Western health care. "Doesn't he look brown," muttered one East German onlooker as Mr Brandt, on a whistlestop sightseeing tour, clambered on Saturday around the 11th century Wartburg castle. Mr Brandt came with two partly contradictory messages to the region of Thuringia, the "green heart of Germany" in the south-west of the German Democratic Republic.

Speaking at open-air rallies in Gotha and nearby Eisenach, as well as at a conference to re-launch the Thuringian Social Democratic Party (SPD), Mr Brandt proclaimed his support for the "growing together" of the two Germanys but warned that formal state unity would take time.

The Thuringian SPD was extinguished through the East German Social Democrats' forced merger with the Communists in 1946. Now reformed after a 44-year gap, the East German Social Democrats, helped massively by material support from the SPD in the West, hope to become East Germany's leading political force after the May 6 elections.

About 20 or 30 per cent of Thuringia's present 5,000 members (out of 40,000 for the East German SPD as a whole) are estimated to be have Social Democratic family traditions.

On Saturday, Mr Brandt had history – as well as the future – on his mind. He addressed Thuringian SPD delegates in the same building in Gotha where the two principal factions of the 19th century workers' movement voted in 1875 to unite to form the SPD's forerunner.

The East German SPD, like nearly all the country's other opposition parties, has now come out in favour of German unity and Mr Brandt is well aware of the impatience.

Calling for speedy steps towards German economic and monetary union, he declared on the Gotha market-place: "The right of self-determination applies to the Germans as much as for the other parts of Europe."

Referring to fears abroad of an economically dominant united Germany, Mr Brandt drew on the lesson of the Weimar Republic to deliver an oblique warning: "Not a strong Germany, but an economically weak one, is a danger for democracy."

Mr Brandt underlined that unity had to be part of the construction of a "new Europe". His statement on taking into account Germany's neighbours was almost identical to the remarks by Chancellor Helmut Kohl before a similarly vast crowd in Dresden last month. Like Mr Kohl, Mr Brandt appealed to East Germans not to emigrate to the West: "It is worth it to stay."

Underlining that Germany could not unite as long as the two German states belonged to different military alliances, Mr Brandt said that the Federal Republic wanted to change Nato, not to leave it. "We want to help to restructure the alliances – to make them superfluous."

He also referred to the difficulties facing Mr Mikhail Gorbachev and called on the East Germans not to tangle with any of the 380,000 Soviet troops in the country.

Mr Brandt's views on German unity have always been highly ambivalent. In September 1988, he called Bonn's constitutional goal of "reunification" (a word he still dislikes) "a living lie". Drawn back into the fray by mounting unity clamour in East and West, Mr Brandt has now told his countrymen two things. The Germans have a right to unity; but, if emotions get out of hand, it could disappear like the mirage it was always assumed to be.

Economics Notebook, Page 21

Poland's Communist Party splits

By Christopher Bobinski in Warsaw

POLAND'S Communist Party looked set to end its congress split and in disarray yesterday, when Mr Tadeusz Fiszbach, once the Gdansk party chief, said he was setting up a social democratic group.

Mr Fiszbach, who has support from Mr Lech Walesa, the Solidarity leader, told the congress any new party founded by the present membership would never be credible. Opinion polls suggest the 1m-strong Communist Party would win the backing of only 2.7 per cent of voters.

By last night, Mr Fiszbach had attracted support from 100 of the 1,600 delegates, including 25 of the party's 169 parliamentary deputies. His group is to be called the Social Democratic Union.

Mr Mieczyslaw Rakowski, the party leader, urged the congress to transform itself into a Social Democratic party seeking links with the Socialist International. Mr Rakowski, who said he would not be seeking to lead the new group, exhorted delegates not to split the party. Other reform groups at the congress were uncertain whether to continue fighting for the initiative within the party or join the Social Democratic Union.

East Germany plays down N-leaks report

EAST Germany, seeking to reassure its people after reports of two nuclear accidents, yesterday said there had not been any "unacceptable" radioactive leaks from the country's power stations, Reuter reports from East Berlin.

In a statement issued by the official news agency ADN, East Germany's nuclear safety office (SAAS) said measures had been taken to prevent further incidents and that a technical report would be made public.

"During 'unusual events and malfunctions' in East German nuclear power stations so far, there has not been any unacceptable leak of radioactivity nor of radioactive materials into the atmosphere," ADN quoted the report as saying.

Mr Klaus Toepfer, West German Environment Minister, yesterday said East Germany had told Bonn about a breakdown at the Bruno Leuschner power station in Greifswald, near the Baltic Coast, on November 24.

Last week, East Germany acknowledged a 1975 accident at its Lubmin power plant in the same area, but denied that a Chernobyl-style disaster was narrowly averted.

Mr Toepfer said the safety of East and West Germany might require deep cuts in East Germany's nuclear energy programme.

The latest report raised the question of "whether the nuclear power stations in East Germany must be shut down as a precaution before security analyses have finished," he said.

The East German account of the 1975 incident contained chilling details, saying that major safety systems failed and that there was a radiation leak.

Had there been a meltdown, huge areas of northern Germany, Denmark and Sweden would have suffered from the fallout. An accident at the Soviet Union's Chernobyl plant north of Kiev in 1986 contaminated large areas of northern Europe.

Until the hardline Communist government was ousted last November, such information was a closely-guarded state secret.

East Germany obtains 12 per cent of its electricity from five Soviet-designed nuclear reactors. East and West Germany plan to set up a joint commission to help bring East Germany's nuclear industry up to Western safety standards.

● EAST and West German ecology groups, meeting for the first time, yesterday called for a joint phasing out of nuclear power and said their common border should be converted into a nature park

Russians want 'our boys' sent home from Azerbaijan

By John Parker

MR Mikhail Gorbachev, the Soviet President, was yesterday facing renewed nationalist criticism of the military occupation of Baku – this time from Russian nationalists demanding the return of "our boys" from Azerbaijan.

At the weekend, Russian nationalists from both ends of the political spectrum held public rallies in Moscow to protest against the military action in the Transcaucasus. Pamyat, a pro-tsarist, anti-Semitic organisation of the far right, called for the immediate withdrawal of troops.

Mr Dmitri Vasilev, Pamyat's leader, has blamed the Communist Party for inter-ethnic violence, saying that the Russians have no quarrels with the Moslem Azeris and that "we have hordes of Moslem friends".

Shield, a reformist group composed largely of members of the armed forces, also criticised the operation, on the grounds that Soviet troops should not be used in ethnic conflicts.

The Soviet press also ran long front-page reports on the upsurge of protests against mobilisation in other Russian towns.

According to a report headlined "Who gave the order?" in Rabochnaya Tribuna (Workers' Tribune) newspaper, people in the mining town of Shakhti had demanded the mobilisation order be cancelled.

It quoted protestors demanding "Who decided to send young fathers with young families to the Caucasus?" Komsomolskaya Pravda added that in Krasnodar, call-up papers had been served on men with families – against instructions from the defence ministry.

Most of the first wave of troops sent to Azerbaijan were Russians and in the days immediately after the military intervention, big demonstrations were held in Stavropol, Rostov and Krasnodar, demanding the recall of reserves who had been called up. Many of the reserve were later replaced by regular troops.

In Azerbaijan, the military authorities said life was returning to normal. Transport and the television station were working again, food shops had reopened.

At the weekend, Soviet television showed residents claiming that they wanted to see the troops saying to guarantee order.

Troops moved into other towns throughout the region that had previously been under the control of the Popular Front. In Lenkoran, according to the Soviet news agency Tass, five people were killed and 54 arrested as troops reoccupied the town.

The Popular Front said that 4,000 troops were patrolling the region of Nakichevan, the Azerbaijani enclave between Armenia and Iran.

In Nagorno-Karabakh itself, where the dispute between Armenia and Azerbaijan began, fighters of the Armenian national movement and of the Azerbaijan Popular Front began to leave, after a peace treaty had been signed between the two sides.

Modrow enters talks to keep coalition afloat

By Leslie Colitt in East Berlin

MR Hans Modrow, East Germany's faltering Communist Prime Minister, yesterday opened talks to prevent the collapse of his coalition Government by bringing in the opposition and creating a non-party alliance.

Opposition leaders said they were ready to join a transition government if Mr Modrow and his ministers suspended their membership in the Communist Party until elections next May.

Earlier, the Prime Minister said he aimed to serve the people and not a party. New Forum, the largest opposition group, narrowly avoided a split yesterday over its future political direction.

Facing a popular groundswell of support for German unification, a majority of delegates to a New Forum conference in East Berlin voted in favour of unity and a socially-oriented market economy. But "fundamentalists," supporting separate East German statehood, protested by walking out of the conference.

They included New Forum representatives in the round table talks with the Government who were replaced for the talks with Mr Modrow.

A formal split in New Forum appeared inevitable as the rival East German Social Democrats (SPD) swung strongly behind unification.

Delegates to the New Forum conference also rejected a motion to turn the movement into a party in order to better contest the first free elections next May 6.

But a dissenting wing of conservatives in Karl Marx Stadt defied the decision and founded a German Forum Party. In tune with a growing number of West Germans, the delegates in East Berlin supported the demilitarisation of both German states and the dissolving of the Warsaw Pact and Nato.

The increasing strength of the East German SPD forced Mr Helmut Kohl, the West German Chancellor, to step up attempts to forge links with the Christian Democrats (CDU) in East Germany despite their 40-year coalition with the Communists.

He agreed to meet shortly the new leader of the East CDU, Mr Lothar de Maiziere, with a view to co-operation.

FINANCIAL TIMES

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OVERSEAS NEWS

US to close two of four military bases in Greece

By Kerin Hope in Athens

THE GREEK Defence Minister, Mr Tzannis Tzannetakis, is to announce today the closure of two of the four US military bases in Greece, under an American plan to shut down 100 installations worldwide.

Greek political leaders have already confirmed that the US air force base at Hellenikon, next to Athens airport, and a Navy communications facility at Nea Makri on the east coast of Attica will be closed.

That will reduce the main US military presence in Greece to two installations in Crete: an electronic communications centre at the Gournes air force base, and support facilities for the Sixth Fleet at Souda Bay in the west of the island.

US units serving at a handful of Greek military bases where battlefield nuclear warheads are kept under a "dual key" system are not expected to be recalled.

The decision to close the two bases near Athens came as the all-party Greek Government was preparing to extend the Greek-US defence agreement for an extra six months so that the next administration can complete talks on a new agreement after the April 8 general elections. But Greek and US officials said it was not related to the negotiations

It is not clear what effect the closures will have on US military aid to Greece, now \$350m (£210m) a year.

Left-wing Greek politicians have campaigned for years for the removal of all US bases, which were set up under a 1952 agreement after nationalist forces defeated a communist insurgency with US military support.

Mr Andreas Papandreou, the Socialist leader and former prime minister, still insists that a referendum should be held to approve a new agreement on the two remaining bases.

While in power, Mr Papandreou had demanded that the Hellenikon base be shut down as the price for signing a new defence accord. The base, *which provides support for sur*veillance flights in the east Mediterranean, is a focus for anti-American demonstrations, and there have been several terrorist attacks against off-duty US servicemen in recent years.

Taste barriers will stay after trade barriers fall

Even multinationals have tended to operate on a mainly national basis, **Philip Rawstorne** reports

IN THE past two years, over 400 mergers and acquisitions have occurred in the West European food and drink industry. One-third were cross-border; five of them, involving Nestlé, BSN and Pepsico, each cost more than \$1bn (£625m).

Yet despite this increasing concentration of ownership, 80 per cent of the EC's food is still processed in the country where it is consumed. Even the multinationals have tended to operate on a mainly national basis. Differences in national tastes, costs and problems associated with long-distance distribution of perishable foodstuffs, as well as conflicting national regulations covering processes of production, ingredients, packaging, and labelling, have all contributed to this. So has the fact that retailers have been primarily national operators.

Many taste barriers will remain long after trade barriers have ended with the single market's advent. As Prof David Stout, of Unilever, says: "Local tastes are far more firmly entrenched when it comes to what we eat than what we wear, *what we watch, or the* music we listen to." But if, as Prof Stout insists, there will never be an "edible Walkman", food consumption in the EC countries shows a number of common and growing trends.

- Increased leisure travel is already spreading the taste for some national dishes across frontiers;
- Less than half of Europeans now sit down for the traditional three square meals a day. Demand for convenience foods and snacks is growing, encouraged by the increasing number of working women and small households, the spread of the deep freeze and the microwave.
- Growing numbers are concerned about healthier eating and drinking; concerns which range from the nutritional value of the ingredients and the way they were grown to the safety standards of the processing and preservation, and the packaging's environmental friendliness.

In these trends, the major food manufacturers see opportunities to expand brands and products across the EC – a view supported by a new study* by Ernst & Young, the international accountants and management consultants. Products intended for the pan-European market will have to be high value-added, the report suggests. Opportunities will, *therefore, be greatest in* premium quality convenience foods, production of which is already highly concentrated at national level, reflecting the resources required for capital investment, research, development and promotion.

Apart from products such as biscuits and breakfast cereals, snacks and confectionery, an incentive could exist for developing sterile packed convenience foods which have a long shelf life and lower unit distribution costs rather than chilled or frozen foods.

"Mutual recognition of national standards in food and drink will dismantle current regulatory barriers at a speed unimaginable only five years ago," Ernst & Young predicts. Abolition of frontier formalities and national monopolies in transport should produce a fall in unit costs of distribution.

France, Italy and Spain – the main growth markets of the 1990s – will benefit especially from current investment in improved railway systems, the report predicts. The Channel Tunnel will affect transport costs but the necessary supporting rail and road network may not be complete by 1995.

"Throughout Europe, introduction of sophisticated warehousing and computerised networks should also reduce unit distribution costs," says the report. "Development of these *systems will be further encour*aged by the growth of concentration in retailing and the effect this will have on purchasing."

Against this background, Ernst & Young suggests that regional differences in the cost,

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availability and skills of the labour force will become prime factors in location of food and drink production. "The relative importance of labour costs and skills is likely to be greatest in areas where unit distribution costs are low (particularly high value added dry goods), and where raw materials are likely to be readily available (such as flour products)."

EC wage differentials are substantial. In West Germany and the Netherlands, hourly wage rates are about 25 per cent higher than in the UK, the report adds. Best wages by far are in Denmark, 60 per cent higher than in the UK. Mediterranean countries offer the lowest wage costs – under a third of UK rates in Portugal, *around 50 per cent in Greece* and 64 per cent in Spain.

Differentials are widened further by social security costs, particularly heavy in Italy and France. In Britain, Ireland and Denmark, a higher proportion of social welfare payments is met by direct taxation rather than by special contributions from employers and employees. A longer working week, shorter holidays, and a greater differential between the pay of men and women (who form 41 per cent of the industry's work force) increase the UK's competitive advantage in labour costs over other north European countries.

The Ernst & Young study suggests the UK may suffer competitive disadvantages unless urgent action is taken to increase the training of food technologists. The industry's demand for skilled workers is increasing with more advanced technology and more rigorous quality control being introduced. The numbers employed in research and development are also likely to expand.

"A shortage of food technologists and similar research and development personnel looks likely to be a principal constraint to the full achievement of the potential of the single market in food and drink manufacturing," the report says – and the UK trains considerably fewer each year than either *France or West Germany.*

Such considerations are now influencing Unilever's plans to cut its 200 European factories by a quarter over the next four or five years; and Nestlé's rationalisation of its network of 203 European plants, reducing the number which makes each product.

They will be vital factors in realising the ambitions of others who seek a pan-European niche. "There will not be a magic formula of globalisation versus localisation, or centralisation versus decentralisation," says Mr Camillo Pagano, executive vice-president of Nestlé. "Rather than standard solutions we will find viable, differentiated answers to these opportunities."

Entrepreneurs would not be prevented from starting new businesses based on innovative ideas or services. But future pan-European markets, which may in the next decade include many East European countries, would belong to those companies which achieve an optimum balance between larger-scale benefits of centralisation, and specialisation and flexibility in catering to the various lifestyles of consumers.

"The food factory of the future will, for certain products, be one that can take advantage of a market of 380m people either by specialisation or by large output systems and, *while running flat out,* use electronic flexibility to change product sizes and even varieties of taste."

**Locating for the New Europe, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU*

Christian Democrat row threatens Rome coalition

By John Wyles in Rome

AN OUTBREAK of bitter infighting in the Christian Democratic (DC) party has emerged as a serious threat to the stability of the Italian coalition led by Mr Giulio Andreotti.

In outrage at the virtual sacking of Italy's most celebrated mayor, Mr Leoluca Orlando of Palermo, the left wing of the party decided at the end of last week to go into "opposition".

The move, which has had no equivalent for a decade or more, is a reminder that the party's is an amalgam of semi-autonomous factions. In practice it will mean that members of the DC left will resign their various positions in the party, including Mr Mr Ciriaco De Mita, the former party secretary and prime minister, who will stand down as the DC's president. For the moment, the left's four ministers will remain in office.

The downfall of Mr Orlando, who for five years has brandished a largely ineffective sword against the Sicilian Mafia, was brought about by the DC's current governing centre-right majority.

After several months of witnessing the expulsion of many of its exponents from top jobs in state enterprises, the left sees Mr Orlando's downfall as yet another act of capitulation to the demands of the DC's chief coalition ally, Mr Bettino Craxi's Socialists.

The faction says that Mr Arnaldo Forlani, the party secretary, and Mr Andreotti are destroying the basis for the "unified leadership" established at the party's congress last February. Implicit in the move is a threat against the Government if the left continues to be ignored on policies and appointments.

Since there is no current alternative to Mr Andreotti in the DC, the left's breakaway will lack credibility unless Mr De Mita is prepared to bring the Government down and force early elections.

For the moment no one believes he would be prepared to do so, although the dangers of a political accident at Mr Andreotti's expense are now very much higher.

Mr Paolo Cirino Pomicino, the Budget Minister and a staunch supporter of Mr Andreotti, said with the most casual sense of history the other day that the party's internal squabbles had never put any government in crisis. In fact, observers of Italian politics have attributed two-thirds of the post-war changes of government to internal DC struggles for power.

E Germans start trade pact talks with Brussels today

EAST German officials today start talks in Brussels for what *looks like being the fastest* negotiation for a trade and economic co-operation agreement that an East European country has conducted with the EC, David Buchan reports from Brussels.

East Germany is the last Comecon country to open commercial talks with Brussels, but could, depending on the result of May elections, be the first to join the Community.

Mindful of this, EC leaders took the step at their Strasbourg summit last month of setting a mid-1990 deadline for concluding a trade deal with East Berlin.

The talks are aimed at increasing East German access to EC know-how and phasing out quotas on its industrial and farm exports to the markets of EC member states, except West Germany, with *which East Berlin has long had* a special free trade agreement.

East Germany's two-way trade with West Germany – Ecu8.76bn (£4.92bn) in 1988 – is more than double its trade with the other 11 EC states.

EC officials say a trade agreement with the Community may add little to the benefits East Berlin gets through inner-German trade.

But creating more evenness in East Germany's commercial arrangements with the Twelve is considered important in the context of the planned, post-1992 disappearance of internal EC border checks – an event which might otherwise see tariff-free East German goods leaking across West Germany's frontiers into the markets of its EC neighbours.

Last-ditch effort to avert Swedish bank lock-out

TALKS were still going on last night in an attempt to settle a pay dispute that threatens to close down Sweden's banking system from this morning, Robert Taylor reports from Stockholm.

The country's bank employers announced last week that they intended to lock out all their employees from today, in retaliation for the bank union's instruction to 1,500 of its members working on foreign transactions to launch a selective strike in support of a claim for a 15 per cent pay rise for all its members.

Early yesterday, the mediator in the dispute proposed a 8.75 per cent rise, after all-night talks. This was rejected by the employers but accepted by the union.

OVERSEAS NEWS

S Africa wants police to leave political arena

By Patti Waldmeir in Johannesburg

SOUTH AFRICA'S President F.W. de Klerk appears to be maintaining the pace of reform, with reports over the weekend that he has told senior police officers he wants them out of the political arena.

The reports coincided with speculation that the release of Mr Nelson Mandela, the detained African National Congress leader, has run into unspecified problems.

According to a report in yesterday's Sunday Times of Johannesburg, Mr de Klerk told a closed-door meeting of 500 senior police officers that the force would no longer be used to fight the government's political battles.

Mr de Klerk reportedly said his Government wished to avoid a race war. "For if this Armageddon takes place – and blood flows ankle deep in our streets and 4 or 5 million people lie dead – the problem will remain exactly the same as before the shooting started."

Mr de Klerk is quoted as telling the officers in a speech delivered two weeks ago: "We will have to move toward finding solutions that are acceptable to the majority of the population."

A police spokesman confirmed that Mr de Klerk had addressed the group, but would not disclose the contents of the speech.

"In the past, you have been asked to handle situations that had nothing to do with ordinary crime," Mr de Klerk was quoted as saying, referring to use of police to disperse protests and enforce segregation laws.

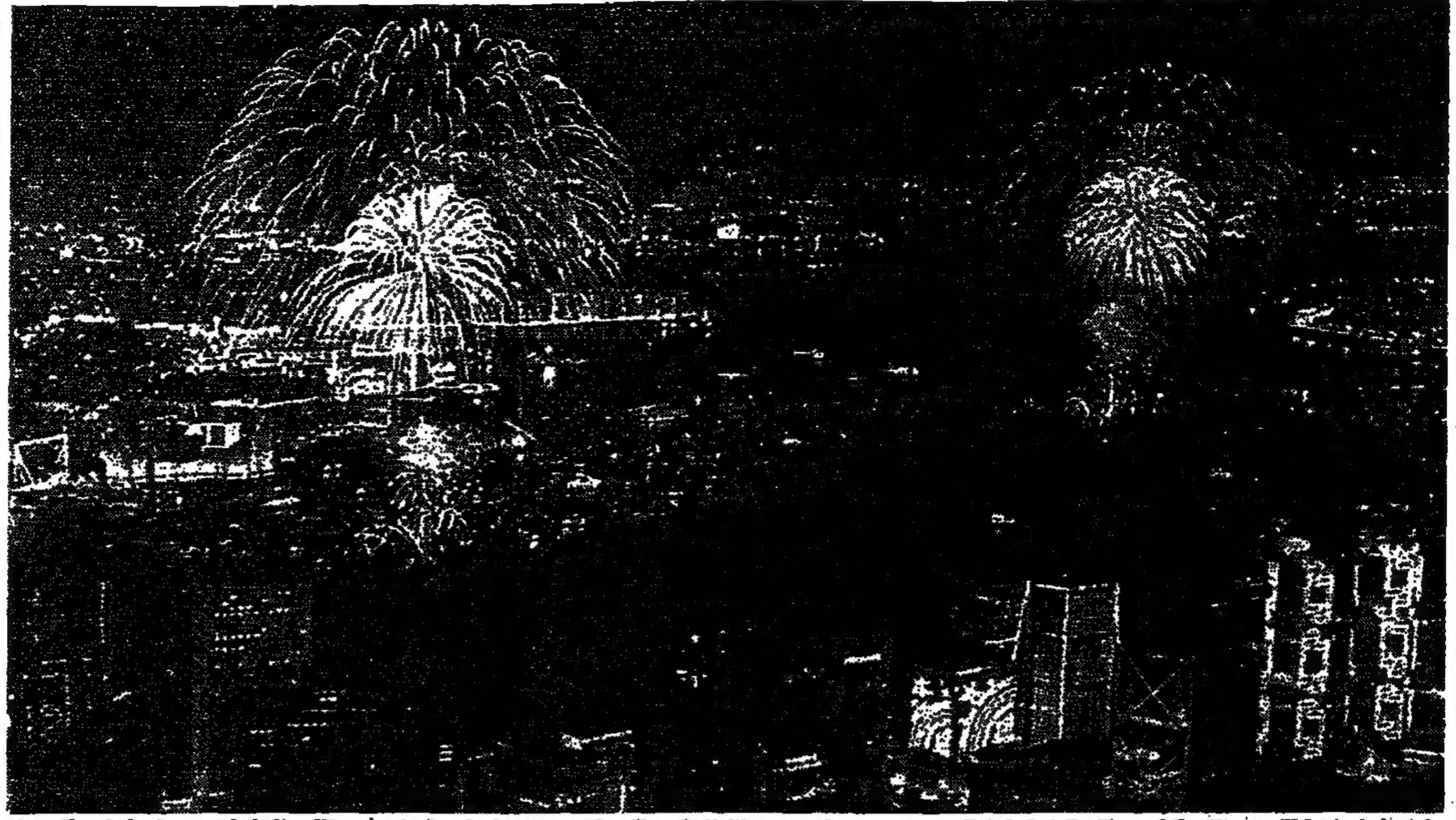
"Circumstances have changed and we have reviewed our definition of crime."

Meanwhile, Mrs Winnie Mandela reporters after a four-hour visit with her husband on Saturday that he looked depressed and unhappy. "It is quite clear that some problems have cropped up about his immediate release," she said.

There has been widespread speculation that President de Klerk would announce the date of Mr Mandela's release and unveil other political initiatives when he opens parliament this Friday.

Mrs Mandela, who earlier this month spoke optimistically about an early release, said that her husband was calling for the repeal of the 30-year ban on the ANC, the legalisation of 34 internal opposition groups banned two years ago, lifting of the state of emergency, and the release of other political prisoners before he would accept his freedom.

Hong Kong celebrates Year of the Horse



Hong Kong's harbour and skyline lit up yesterday during Lunar New Year festivities. Astrologers have predicted that the Year of the Horse will be turbulent for China. In Peking, while most residents rested from late-night celebrations, top leaders were out hugging babies in a campaign to show Communist Party unity with the masses, Reuter reports from Peking. The Communist Party General Secretary, Jiang Zemin, visited a rural village on the outskirts of Peking, accompanied by Vice Premier Tian Jiyun. Premier Li Peng went to a coking plant, a thermal electricity plant and Tiananmen Square. President Yang Shangkun visited an exhibition hall in Shanghai, and Vice Premiers Yao Yilin and Wu Xneqian went to a food market in central Peking.

Security plan for West Beirut agreed

By Lara Marlowe in West Beirut

THE Lebanese and Syrian governments say their new security proposals drawn up in Damascus will turn West Beirut into an "oasis of security", ending kidnappings and crime, and encouraging foreign embassies to return to the Moslem sector of the city.

The plan was the outcome of three days of meetings between Presidents Elias Hrawi of Lebanon and Hafez al Assad of Syria.

It calls for Syrian soldiers to turn over check points in West Beirut and on the airport highway to Lebanese Army units under the Command of General Emile Lahoud in the next two weeks. The Syrian army is to provide weapons and support to the Lebanese army.

Many Lebanese doubt that the plan will be implemented quickly.

President Assad said the problem of rebel Christian General Michel Aoun had to be resolved before the militias could be disarmed. Nor will the Lebanese Government take control of Beirut's southern slums, by the airport highway. The predominantly Shia Moslem southern quarter of the city is the stronghold of the pro-Iranian Hizbollah and at least several of the 18 western hostages in Lebanon are believed to be held there.

Saddam's surprise call on Mubarak

Iraqi President Saddam Hussein held talks with President Hosni Mubarak in Cairo during a surprise visit yesterday, his first since Egypt reviewed diplomatic relations with Iraq's arch-rival Syria in December, writes Max Rodenbeck in Cairo.

With Mr Mubarak planning to meet Syrian President Hafez al-Assad, Mr Hussein's visit is being seen as part of an Egyptian effort to mediate between the autocratic leaders, who have been at odds since Syria backed Iran in the Gulf War.

Venezuela lifts restrictions covering foreign investment

By Joseph Mann in Caracas

THE Venezuelan Government has promulgated the most sweeping liberalisation of its foreign investment code during the three decades of the country's democratic history.

In Decree 1200, the Government of President Carlos Andres Pérez this weekend removed most of the restrictions that previously affected foreign investors and, in the words of Development Minister Moises Naim, "has placed Venezuela in a position to compete effectively with nations, like those of the Far East, that have attracted large volumes of capital from the industrialised world".

The most important reforms affecting foreigners include the elimination of controls on profit remittances and reinvestment; opening the local capital markets to foreign companies; elimination of restrictions on foreign investment in certain sectors reserved for nationals; removal of restraints on technology transfer, and a general reduction in government interference.

Although many foreign companies believe that Venezuela has great potential for new industrial projects, investors frequently have been put off by restrictive legislation and huge volumes of costly red tape. In recent years, foreign investment in Venezuela has been modest and limited mostly to a few large joint ventures.

World Bank loans for China

By Peter Riddell, US Editor, in Washington

EMERGENCY loans for China totalling \$90m (£54m) have been proposed by Mr Barber Conable, the World Bank president, and are set to be approved by its board in 10 days.

The loans will be the first to be agreed by the World Bank since it suspended new lending after the Tiananmen Square massacre last June.

The resumption of partial lending follows the announcement by the Bush Administration this month that it would approve humanitarian loans on a case-by-case basis, but it would still oppose World Bank lending for economic development and infrastructure projects.

The US has a big voice on the Fund's board, and Mr Conable has always said he will only make detailed proposals when he is sure of a consensus among major shareholders.

The new loans fit into the acceptable category, with \$60m to relieve extreme poverty in Jiangxi province and \$30m to help repair damage from an earthquake last October in Shanxi and Hebei provinces.

Other pending loans total more than \$700m, with approval depending both on whether China proceeds with basic economic reforms and on the attitude of big shareholders such as the US.

● The executive board of the International Monetary Fund will this week try to resolve the remaining differences over increasing its resources or quotas. This follows comments last week by Mr Michel Camdessus, its managing director, that "the membership, including the major shareholders, is on the brink of settling the final features of the quota increase".

Soundings by Mr Michael Wilson, the Canadian chairman of the policy-making interim committee of the IMF, indicate an unwillingness among leading industrial countries to summon finance ministers from around the world to a special meeting in Washington in mid-February.

The hope is that the quota review, including the tricky question of a redistribution of voting shares, can be resolved by the executive board of permanent representatives of member countries in Washington.

Japan's industrial output rises 5.9 per cent in 1989

By Ian Rodger in Tokyo

JAPAN'S industrial output was up 5.9 per cent in 1989, according to figures issued by the Ministry of International Trade and Industry (Miti).

The production index of mining and manufacturing industries rose to 119.7 last year on a base 100 in 1985. In 1987, the index advanced 3.4 per cent, in 1988, 9.5 per cent.

In December, the seasonally adjusted mining and manufacturing production index fell 0.1 per cent from the prior month to 120.7. Miti attributed the fall mainly to a decline in exports of passenger cars and semiconductors to the US, and the slump in steel exports to China.

By industry, month-to-month output of transport machinery and precision industries declined by 1.4 per cent and 3.7 per cent respectively. Production of general machinery and plastic product industries rose by 1.6 per cent and 1.0 per cent respectively.

● Japan will this week hold its first televised election campaign debate in 30 years as the Liberal Democratic Party struggles to retain power in next month's election after more than three decades of rule.

The nationally televised debate between Mr Toshiki Kaifu, the Prime Minister, and leaders of the four opposition parties will take place on Friday, the LDP said.

Quayle to hear Caribbean fears

US Vice President Dan Quayle is to be told today that several Caribbean islands which consider themselves close allies of Washington are uncomfortable with an apparent shift in the Bush Administration's policy towards the region, Canute James writes from Kingston.

Mr Quayle will visit Jamaica on the final leg of a regional tour to discuss last month's US invasion of Panama. Mr Michael Manley, Jamaica's Prime Minister, was one of the few regional leaders who agreed to see him.

Top Caracas politician faces charges

By Joseph Mann

ONE of the most powerful figures in Venezuela's last government, Senator José Angel Ciliberto, was stripped of his parliamentary immunity on Saturday and will now face charges that he engaged in corrupt or improper activities while serving as Minister of the Interior.

The congressional decision is part of an effort to identify and punish corrupt practices that occurred during the presidency of Dr Jaime Lusinchi, in office from 1984-89.

It is significant because it affects an individual who held two key ministerial posts under the last government.

Mr Ciliberto held the Interior and Economic Development portfolios and served several times as Acting President of Venezuela during Dr Lusinchi's foreign trips.

Ecuador steps up war on drugs

By Sarita Kendall in Quito

ECUADOR'S Government has put forward a tough new anti-drug law and a constitutional amendment on extradition which is to be discussed by Congress in a special session at the beginning of next month. The legislation reflects a political commitment to try to control the drug problem before it becomes unmanageable.

Although Ecuador's role as a transit and money-laundering country has grown steadily more important, there is no evidence that the anti-drug offensive in Colombia is squeezing cocaine production southwards over the border. From a US point of view, Ecuador is "at risk" rather than in the front line; this is the main reason why President Rodrigo Borja will not be going to the Cartagena drug summit.

Ecuador's constitution specifically rules out the extradition of nationals and the Government needs a congressional majority of two-thirds for the amendment. Some politicians have already spoken out against extradition on the grounds that it means surrendering sovereignty and openly admitting the weakness of local justice. However, the Government hopes to hurry the change through before its coalition is eroded by the June parliamentary election.

The drug legislation – considered "extraordinarily comprehensive" by foreign specialists – does not have to be debated by a full Congress and is expected to be approved.

Most of the points covered by the Vienna Convention on drugs has been included. Jail penalties would increase substantially for drug-related offences; the law specifies penalties for intimidating judges and it covers production and trafficking as well as local consumption and rehabilitation.

The section on money-laundering and banking secrecy is particularly important because of the volume of drug funds seeping into Ecuador. Estimates vary from \$300m (£180m) upwards and the free market exchange rate is moving far more slowly than inflation. Drug dollars have reportedly been invested in farms, banking, the shrimp industry, retail businesses and construction.

Ecuador has been receiving anti-drug aid from several sources, including the US and Britain. A large chunk has gone into education and rehabilitation programmes and the US is backing a judicial reform study. Quito's relatively quiet airport has more than a dozen sniffer dogs, some of them donated by Britain.

The Administration plans to build five key drug checkpoints away from the main cities which would also serve as communications centres. This and the previous government's anti-drug efforts have earned praise from the US.

Khmer Rouge is kept at bay

By John Pedler in Kompong Thom

VISITS to Battambang, Cambodia's second city, Kompong Speu and Kompong Thom have confirmed that Cambodia's populated areas are quiet and in government hands day and night.

The country's civil war is largely confined to the frontier areas with Thailand where the Khmer Rouge has made some advances in its traditional strongholds.

Small battles involving around 150 men have been occurring in western provinces, but no serious incidents appear to have occurred nearer than 40 miles from any of the main towns.

Getting to Kompong Thom from the capital of Phnom Penh, a distance of about 100 miles, took six hours including the crossing of the Tonle Sap on the antique Unesco ferry. The road surface is good enough for about half the distance but 40 miles of potholes reduce average progress to about 17 miles per hour. Little has changed in this part of Cambodia in 35 years.

A Foreign Ministry escort said: "Cambodia has lived through the Khmer Rouge nightmare to find itself back where it was when the French left [in 1953]."

Travelling without military or police escort we were rarely out of sight of the Sena Chun (the Home Guard) which is the backbone of Cambodia's three layers of defence.

The first layer is the well-equipped but poorly disciplined and possibly ill-motivated national army, whose task is to defend the frontiers or a line somewhere inside Cambodia. The second layer is the provincial armies, smarter, better motivated and better disciplined. Finally and most important is the Sena Chun who defend their villages and bridges with their motley weapons.

It is the Sena Chun and the reporting network of the villagers themselves which so hampers the Khmer Rouge and other opposition groups and prevents them from massing large forces without being detected.

Some reports earlier this month said that Prince Norodom Sihanouk, who heads one of the three groups which comprise the opposition coalition dominated by Pol Pot's Khmer Rouge, was staying on the outskirts of the sleepy, impoverished, still vaguely French provincial town of Kompong Thom. There was no sign of him; nor of the Khmer Rouge.

Prince Sihanouk's prestige seems at an all-time low in the western provinces, particularly as his forces are alleged in some places, including Kompong Thom, to have committed murder, rape and pillage. His decision to have his forces fight alongside the Khmer Rouge seems to have lost him much sympathy.

Indian troops out

Indian troops have pulled out of Jaffna, leaving the north Sri Lankan town to the Tamil Tiger guerrillas they fought for more than two years, residents and officials said yesterday, AP reports from Colombo. The withdrawal was unannounced.

The Indian troops, who are scheduled to complete their withdrawal from Sri Lanka by the end of March, evacuated Jaffna late on Saturday and pitched camps at an airfield and coastal villages about 10 miles away, residents said.

Nepalese protest

An estimated 100,000 supporters of Nepal's party-less "panchayat" political system marched through the capital yesterday to protest against the outlawed socialist-leaning Nepali Congress Party, which seeks to restore a multi-party system, AP reports from Katmandu.

Last weekend, the party concluded the largest gathering by an opposition group in 30 years. It adopted a resolution to start a mass movement on February 18 to restore "people's rights".

East Europe's warning for Kim Il Sung

Aidan Foster-Carter ponders the relevance of Berlin and Bucharest to Pyongyang

THE VIRTUAL collapse of communism in Eastern Europe raises the question of its viability elsewhere. Few communist régimes seem more entrenched or unyielding than that in North Korea, where the "Great Leader" Kim Il Sung has held power for 45 years.

Of all last year's momentous events, those in two countries in particular have obvious resonance for North Korea: East Germany and Romania.

The breaching of the Berlin Wall has moved reunification of the two Germanys out of the realm of wishful thinking onto the political agenda. But Koreans have tended not to appreciate comparison of their situation with Germany. Although both carve-ups were imposed by the Allies in 1945 (and were supposed to be temporary), the Koreans were the victims of their status as a Japanese colony, whereas the Germans were defeated aggressors.

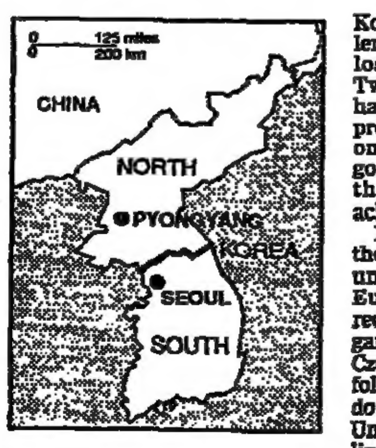
None the less, the turn of events in Germany could not but affect Korea. Some of West Berlin's 2,000 resident South Koreans raised a banner near the re-opened Brandenburg Gate, proclaiming that "Korea Is One". Two North Korean students took the opportunity to cross from the East Berlin to West and seek asylum, as a roundabout way of getting to Seoul.

Both Korean governments have warmed to the theme, with the south predictably urging the north to open up like East Germany. Kim Il Sung responded with a startling proposal for full and free travel and exchanges between both halves of Korea – but on two conditions.

First, South Korea must demolish its own concrete "wall". Seoul denies having one, but Kim is believed to be referring to fortifications south of the Demilitarised Zone (DMZ). Second, Kim still insists on discussions with all South Korean political parties, thereby implicitly refusing to recognise the South Korean Government.

These exchanges of rhetoric illustrate another big difference between Korea and Germany. Despite partition, the Berlin airlift and even the wall, the two German states have enjoyed some form of symbiosis. Both governments and their sponsors maintained channels of communication. Ordinary citizens retained some opportunities to keep in touch by letter, telephone, visits – or simply by watching each other's television.

The Korean situation was infinitely worse. It was in



Korea, not Berlin, that the Cold War turned hot. Although historians now see the Korean War as Kim's gamble, at the time it seemed like world communism on the march.

Millions of Koreans died, the peninsula was reduced to rubble, and the hostilities have never really ceased. There is still no peace treaty. No one may write or telephone, let alone visit. For more than a generation, Koreans have been denied all contact with their relatives on the other side.

South Korea, with its massively superior economic and diplomatic strength, can afford to play for time. Not so North Korea, which is beset by problems. The economy has long lost its initial dynamism. Twenty years of stagnation have led to all the familiar problems of a command economy – including consumer goods shortages which even the "great leader" has acknowledged.

Kim Il Sung is also seeing the diplomatic ground cut from under him. Three Eastern European nations have now recognised South Korea (Hungary, Poland and Yugoslavia). Czechoslovakia has said it will follow; the rest seem bound to do the same. Even the Soviet Union has agreed to consular links with Seoul, while vigorously expanding economic ties.

North Korea's response is mixed. On one hand, preaching non-interference in other countries' affairs, Pyongyang has not only reported but greeted the various post-communist regimes in Eastern Europe including Romania. (Czech leader Vaclav Havel must relish the irony of receiving a letter of congratulation from Kim Il Sung.)

On the other hand, the moment any of them dares to establish relations with Seoul it is met with a tirade of classic Pyongyang vitriol, accused of betraying socialism.

What chance the Romanian route? Structurally, the parallels are close, as was the personal relationship. In economic policy, both Ceausescu and Kim pushed mindless industrialisation at the expense of all else – although at least Romania paid its debts. Both regimes falsified or simply suppressed economic statistics.

Politically they both expanded party membership massively: you simply had to have a party card to get on. The result was corruption at all levels with rampant nepotism at the top. North Korea even has its own equivalent of the Romanian Securitate: a special force of Korean war orphans, nurtured on hatred and boundlessly loyal to Kim Il Sung.

But what about the rest? The Romanian case must be alarming for Kim. Despite the bloodbath, the Romanian ancien régime ultimately stood revealed as brittle.

None the less, the question now seems to be not whether North Korea will cease to exist, but when and how. The GDR has been dubbed the "Gradually Disappearing Republic"; the Democratic People's Republic of Korea – the DPRK – must then be the "Desperately Passé Regime of Kim".

Aidan Foster-Carter is Director of the Leeds University Korea Project.

US envoy to Hungary quits

By Lionel Barber in Washington

MR MARK PALMER, US Ambassador to Hungary, is resigning his post immediately after the recent disclosure that he plans to leave Budapest to run a new investment group which plans to do business in Hungary.

Mr Palmer, who is an East European expert and one of the most forceful advocates of closer US ties with Hungary, will become chief executive of the Central European Development Corporation, a new consortium led by Mr Ronald Lauder, former US ambassador to Austria, and heir to the Estée Lauder fortune.

Mr Palmer's departure caught Mr James Baker, US Secretary of State, by surprise. Initially, Mr Palmer planned to remain until March, when national elections are held, but Mr Baker let it be known that this would create an intolerable conflict of interest.

The new US consortium will, it is reported, focus on tourism, communication and real estate.

Last week, the consortium announced that its first investment would be a \$10m (£6.25m) stake in the General Banking and Trust Company, one of Hungary's most respected pre-war financial institutions.

WORLD ECONOMIC INDICATORS

RETAIL PRICES (1985=100)

	Dec.'89	Nov.'89	Oct.'89	Dec.'88	% change over previous year
Japan	106.1	105.9	106.9	103.0	+3.0
USA	117.2	117.0	116.8	112.0	+4.6
W.Germany	105.3	104.9	104.7	102.1	+3.1
UK	124.3	124.0	122.9	115.4	+7.7
France	114.1	114.0	113.8	110.2	+3.6
Netherlands	102.1	102.1	102.1	100.8	+1.3
Belgium	108.8	108.4	108.5	105.0	+3.6

	Oct.'89	Sept.'89	Aug.'89	Oct.'88	% change over previous year
Italy	124.2	124.8	124.2	118.2	+5.1

Source: (except US) Eurostat

Avril relents

Haitian military ruler General Prosper Avril announced on Friday that he would lift a state of siege tomorrow after his government arrested and deported opposition politicians, Reuter reports from Port-au-Prince.

Gen Avril told his critics to respect the law once the emergency decree is revoked. The state of siege was declared on January 20 after gunmen killed an army colonel.

Sudan 'victory'

Sudanese rebels said yesterday they had occupied parts of the town of Yei, near the Ugandan and Zairean borders and the government garrison was about to fall, Reuter reports from Nairobi.

Yei was attacked on January 17 and the Sudan People's Liberation Army (SPLA) said it captured more than 100 vehicles with the help of army deserters.

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UK NEWS

Workers to 'gain' from EC laws despite UK opposition

BRITISH workers are likely to benefit considerably from the *European single market* despite the UK Government's opposition to a Community *social charter, according to* an analysis published today, writes Jim Kelly.

The Labour Research Department, a trade union and labour movement organisation, says that the European Community will be able to introduce laws, binding on the UK, on issues such as the length of the working week, limits on overtime and workers' participation.

The report says benefits for workers will flow through from *the Commission's action programme* in spite of the UK's rejection of the charter.

The Social Charter will have profound repercussions, according to the report, which states that "its impact is likely to be far-reaching, producing major changes in the framework of trade union activity and it seems certain to remain a major issue for trade unionists *in the decade to come.*"

The report also points to improvements in the area of *health and safety where it says* the UK Government *has* already conceded decision-making powers to the European Community.

Agreed proposals on the use of VDUs (Visual Display Units), including breaks and eye tests, are seen as going far beyond the Government's original intentions on health and safety.

Future health and safety *directives*, the report predicts, will cover North Sea oil rigs and transport. The report concludes: *"Despite* what the trade unions see as serious weaknesses, the action programme offers the *prospect of some* benefits for workers in the social area which may start to match the benefits which employers have gained in the economic sphere."

Public service group urged to reverse expulsions of members who worked during strike

Union set to drop defiance of labour law

NALGO, the public service union, is set to restore membership to hundreds of expelled local government workers, writes Michael Smith, Labour Correspondent.

The move follows a decision by the national executive to press the union to drop its defiance of the 1988 Employment Act; signalling an end to one of the rare examples in recent years of unions flouting employment legislation.

The union's executive has instructed branches to give back union cards to more than 850 members who have been illegally expelled for crossing picket lines during last summer's pay strikes.

The decision represents a significant development in the dispute and it is bound to face strong opposition from sections of the membership.

The executive made its move in the light of a potential bill of more than £10m for continued defiance of the law.

Under the 1988 law, union members have a right not to be disciplined by their union for failing to obey industrial action instructions.

Industrial tribunals can award compensation of up to £14,000 if they find a member has been unjustifiably disciplined.

In the first and only case heard so far, a South Tyneside industrial tribunal found that Nalgo acted unlawfully by expelling 11 local members.

Although only 47 other cases have been lodged with industrial tribunals, there is potential for many more as at least 686 members, and possibly more, have been expelled.

Following Friday's decision, the national executive is writing to branches instructing them to take back into membership any members expelled for working during the pay dispute. It is tell them that they will be responsible for the financial consequences of failing to carry out the instructions.

At Nalgo's conference later this year the executive will press for a change in the union's rule book to prevent expulsions arising from future disputes - but the result of that vote is uncertain.

Branches were given the go-ahead to discipline members last August following an overwhelming vote among the 1,000-strong union.

The union said yesterday that the executive decided it did not want to waste money paying off people who many people thought were breaking union solidarity.

Gateway to the world: top students seek wide horizons

Brussels conference hears Tilburg survey results

Top European graduates seek work with worldwide appeal

By Fiona Thompson

TOP EUROPEAN graduates are keen to work outside their home countries, preferably for well-established companies that operate worldwide, according to a study published today.

The University of Tilburg, in the Netherlands, carried out the study in collaboration with MSL International, the executive recruitment consultancy, and the Euromanagers Association.

At a Euromanagers conference in Brussels, research data was collected from 1,937 "high achievement" graduates, 91.2 per cent of them from EC countries.

All the graduates were trilingual, the average was 26 years old, 68 per cent were men and 30 had a post-graduate degree.

Asked about their willingness to take-up a trans-national position within the EC or in other countries in the European continent, 72 per cent said they would like to at any time, 20 per cent would like to start within one to two years and seven said within three to five years.

Almost half those surveyed, 48 per cent, said they would like to work outside their home countries for a major part of their career.

There was a strong preference for multinational companies, with 77.5 per cent wanting to work for an organisation that operates world-wide.

Asked what were the preferred nationalities of parent organisations, 72 per cent opted for British, followed by 63 per cent French, 56 per cent German, 39 per cent Italian, 34 per cent Spanish, 32 per cent Dutch, 30 per cent Swiss, 29 per cent Belgian, 13 per cent Swedish and 10 per cent no preference.

The preference for British companies was thought to be based on business and economics being the subject specialisation of 68 per cent of the graduates and London seen as the major centre of activities.

An unstable political situation or health problems inherent to the host country topped the reasons for refusing or terminating a position abroad, followed by partners not wanting to emigrate or fears of children becoming socially isolated.

Asked what career and life goals were valued, the opportunity to manage headed the list. The prospect of entrepreneuring, building one's own enterprise, was not rated highly.

Career Aspirations of Young European Graduates, MSL Group International. Tel: London (01) 487-5000.

CONTRACTS & TENDERS

INVITATION FOR BIDS

1) The Republic of Turkey has received a loan from the International Bank for Reconstruction and Development (IBRD) in various currencies towards the cost of the second Railway Project No. TU-2739 and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for which this invitation to bid is issued.

2) The Turkish State Railways (Türkiye Cumhuriyeti Devlet Demiryollari Işletmesi Genel Müdürlügu TCDD *now invites bids for the* signalization of the railway line Kayaş-Çetinkaya on turnkey basis.

3) This bid invitation is only open for the suppliers from member countries of the IBRD and Switzerland.

4) Bids must be accompanied by a bid bond of 2,5% of the total value of the bid.

5) Tender documents pertaining to the above inquiry may be purchased against remittance of US S 800.- from the address below as from 27.1.1990.

6) Tender documents should be sent to the address below by DHL. against remittance of US S 900.-

7) The deadline for the submittal of bids is 06.4.1990 15.00 Hours.

TCDD IŞLETMESI
GENEL MUDURLUGU
SINYALIZASYON OZEL KOMISYONU
93037-21
MALZEME DAIRESI BAŞKANLIGI
GAR-ANKARA/TURKIYE

LEGAL NOTICES

RADWAY SAFE COMPANY LIMITED

Registered number: 1567406

Nature of business
Manufacturer and supplier of safes
Trade classification: 11
Date of appointment of joint administrative receivers
19 January 1990
Name of person appointing the joint administrative receivers
National Westminster Bank plc
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814) of Cork Gully
43 Temple Row, Birmingham B2 5JT

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PIRELLI
GRIPPING STUFF

Hurd criticises US attitude on boat people

By Ralph Atkins and David White

MR Douglas Hurd, the Foreign Secretary, yesterday criticised Washington's attitude towards repatriating Vietnamese boat people and urged the US to fall in with "the international consensus."

Mr Hurd, who is to visit the US this week, also said that in spite of developments in Eastern Europe, Britain would not rush into defence cuts. He emphasised the importance of maintaining US forces in Europe.

His comments on the boat people followed last week's international conference on Indo-Chinese refugees in Geneva. He said broad agreement was reached on starting a programme of forced repatriation in July, but the US had argued for a delay until next January.

Speaking on BBC Radio, Mr Hurd said: "Their line seems to be repatriation, but not yet. It is not a great deal of help to us in present circumstances".

The Foreign Secretary was anxious to avoid a further influx of boat people this spring and was adamant that the repatriation programme would continue. "It must, unless something more sensible, more effective can be devised. So far there is no sign of that."

On East Europe, Mr Hurd said changes had brought about instability and uncertainty but it was not "a Europe where one says all problems are over".

"That would be a very foolish response", he continued, "and it isn't the response which the main countries of Nato are taking."

Vienna negotiations between Warsaw Pact and Nato countries on conventional forces in Europe would have implications for Britain's defence strategy.

However, the Government would not rush into "the kind of defence cuts which would only be justified if we really thought that all the political and security problems of Europe and the world had been solved."

Another visitor to the US this week will be Mr Tom King, the Defence Secretary, who will be discussing armament and arms control issues as well as the implications of changes in Eastern Europe for Nato's defence effort.

His visit, announced at short notice is his first to the US since taking up the defence post last summer. Tomorrow he is due to meet Mr Dick Cheney, the US Defence Secretary, who has unexpectedly announced widespread base closures and personnel cuts.

Mr King is also due to meet Mr Lawrence Eagleburger, deputy Secretary of State, Gen Brent Scowcroft, National Security Adviser, and leading senators and congressmen.

Directors inactive on environment survey says

By John Hunt, Environment Correspondent

FEW company directors are taking any action to preserve or improve the environment and their businesses have no one specifically responsible for "green" issues, according to a survey published today.

Although directors are more environmentally aware than ever before, many are uninformed about their personal responsibility and legal liabilities for protecting the environment.

The survey of 500 British directors was conducted by Director, the magazine of the Institute of Directors.

Mr Alastair Graham, director of the Industrial Society, which advises companies on communicating with the workforce, said it showed that the degree of environmental commitment was inadeqate.

Mr Tom Burke, director of Green Alliance, an environmental organisation, was pleased that directors were better informed about the environment but said the responses showed that many had not actually done anything about it.

The survey suggests that many non-manufacturing enterprises pay only lip service to environmental protection.

Three manufacturers in 10 had someone specifically responsible for the company's approach to the environment - twice as many as in the service sector.

The magazine said the fact that 49 per cent of directors were unaware of their personal liabilities for the environment showed "a surprising degree of complacency or ignorance." In addition, 21 per cent were not conscious of the environmental implications of company policy – a figure that rose to 24 per cent in the non-manufacturing sector.

A quarter failed to act to curb unnecessary use of heating, lighting and office equipment and 29 per cent did not consider energy efficiency in their choice of fuel.

However, 62 per cent operated a lead-free policy for fuelling company cars.

Pressure of public opinion was the biggest overall factor in persuading manufacturers to "go green".

Health goes back into Government's court

Medical professionals are going to law to challenge NHS reforms, Alan Pike reports

THE Government's wide-ranging package of health reforms, which ministers have defended staunchly in spite of a year's heavy criticism, is about to face two High Court challenges.

On Wednesday, the first anniversary of the publication of the white paper Working for Patients, a group of consultants will seek a judicial review of the way the Government is handling the arrangements to implement the reforms next year.

The NHS Support Group for Judicial Review is led by Prof Harry Keen, professor of human metabolism at Guy's Hospital, London. It argues that ministers have no authority to spend public money on preparing for changes before they have been approved by Parliament.

The National Health Service and Community Care Bill, at its committee stage in the House of Commons, provides the legislative basis for the proposed changes. They include financing health care through contracts between health authorities and hospitals; establishing some hospitals as self-governing trusts; and allowing family doctors to hold budgets from which they would purchase hospital and other care on behalf of their patients.

Kenneth Clarke: facing two High Court challenges

On February 15, Mr Kenneth Clarke, the Health Secretary, will face a second High Court application for a judicial review – this time over his imposition of new contracts on general practitioners. The contracts and the reforms are separate issues, although both reflect the Government's declared wish to make the NHS more efficient and increase patient choice.

Leaders of the British Medical Association agreed with Mr Clarke on the new contract last year, but when Britain's 32,000 GPs were balloted on the terms of the settlement, they rejected them by a three-to-one majority.

Mr Clarke ruled out further negotiations and laid regulations before Parliament to impose the new contract in April. The BMA's leaders decided against further confrontation with the Government on the issue, taking the view that Mr Clarke had acted within his legal powers in laying regulations before Parliament to change GPs' contracts.

But Dr John Cormack, leader of the judicial review campaign, says his group has taken counsel's opinion which suggests that Mr Clarke's action can be challenged if it can be shown that the change in contract would harm patient care.

Ministers suspect that some of the GPs' opposition to the new contract stems from the fact that it is more performance-related than the existing one, meaning that there will be financial losers as well as gainers. But many doctors undoubtedly have genuine worries that the changes will be to patients' disadvantage.

Under the contract, the proportion of GPs' income derived from capitation – the number of patients on their lists – will increase from 47 to 60 per cent. It will encourage greater emphasis on health promotion, with patients being offered regular basic health and life-style checks, and will create a system of financial incentives for immunisation and screening. Those will be paid if doctors achieve 70 and 90 per cent of childhood immunisation targets, and 50 and 80 per cent of cervical cytology targets.

Dr Cormack rejects the government view that such financially encouraged efficiency will produce a better service for patients.

"Health screening can be beneficial, but it is not automatically the case," he argues. "Most GPs already work longer hours than many professionals, and time spent doing health promotion with a healthy 25-year-old has to come from somewhere. It will have to come from time spent with sick people.

"The incentive payments for immunisation and screening are in danger of becoming disincentives. Why should doctors in difficult, inner-city practices who reach the 70 per cent immunisation target and know they have no hope of getting to 90 per cent, bother to work hard trying to get up to 75 per cent?"

Dr Cormack is a partner in a GPs' practice at Woodham Ferrers, a developing town near Chelmsford, Essex, where many residents commute to the City of London. The practice, he says, has long tried to do what the Government wants to encourage: offer services that are beneficial and attractive to patients.

Surgery sessions, for example, run until 8pm for the convenience of London commuters, but Dr Cormack believes that may have to be abandoned to give the partners time to cope with the "rigidities" of the new contract.

"We have been computerised for 10 years and are trying to do many of the things Mr Clarke says he believes in. We know from experience that they will not be achieved through the methods that this contract will impose on GPs."

The group is seeking both financial support and evidence from GPs around the country that the requirements of the new contract would undermine patient care.

They say support already pledged by BMA local medical committees and individual doctors will enable them to meet the costs of the first stage of the judicial review application – around £20,000 – but if they win on February 15, the cost of pressing their case all the way to the House of Lords could be up to 10 times as much.

UK Health Care Survey, Pages 13-16

Brooke urges caution on devolution negotiations

MR PETER BROOKE, the Northern Ireland Secretary, yesterday urged caution about talks on devolution in the province, saying political progress was still only a possibility, not a probability.

His remarks followed a welcome by Unionist politicians' of Mr Brooke's call two weeks ago for talks on the future government of Northern Ireland.

Speaking on BBC Radio Ulster, Mr Brooke said: "There is enough evidence that people do want to move, that it is worth our carrying explorations further. But I have consistently said I do not want to be over-optimistic.

"We are talking about a possibility rather than a probability and the only way you can test that further is by carrying the conversations onward."

Although talks are expected to start within weeks, differences appear to remain between the Government and Ulster parties. Unionists argue that the 1985 Anglo-Irish agreement must be suspended and eventually replaced a strategy likely to be opposed by the mainly Roman Catholic Social Democratic and Labour Party.

Lord Marshall attacks U-turn on reactors

By David Fishlock

LORD Marshall, former chairman of the Central Electricity Generating Board, has accused Energy Department officials of deliberately muddying the facts about British nuclear economics in order to protect the Government's electricity privatisation plans.

Lord Marshall said yesterday that he believed officials were obscuring the fact that it was never credible for the Government to try to privatise an industrial activity for which it had failed to take key decisions concerning waste disposal.

The Government also failed to recognise the importance of the "obligation to supply" factor in all successful nuclear power programmes.

Writing in the Observer yesterday, Lord Marshall says he profoundly disagrees with the Government's decision to abandon its construction programme for water-cooled reactors.

That represented "a dramatic U-turn by a government which had, only days earlier, advocated the expanded use of nuclear power as one important contribution to combat the 'greenhouse effect.'"

The Sizewell B project was going "quite well," Lord Marshall writes, "and we know that similar reactors work well and are economically attractive in France, the US, Japan, Germany and Korea." Some of those reactors were publicly owned, some privately owned.

"So it is not privatisation as a concept which makes the difference," he says.

Lord Marshall says he believes the difficulty lies with "the particular and unique form of privatisation which Cecil Parkinson introduced to Parliament in December 1988."

That forced the Government to choose between abandoning privatisation, changing the privatisation plan, or abandoning nuclear power. "The first choice was politically unacceptable, and there was no time for the second. It was forced, therefore, to the third choice," he writes.

He forecasts that the consequences of the privatisation plans, and specifically of the removal of the "obligation to supply" will be to produce an electricity system in England and Wales dominated by short-term thinking.

Rifkind says Scots oppose Euro-time

By James Buxton, Scottish Correspondent

MR Malcolm Rifkind, the Scottish Secretary, has publicly expressed his opposition to the adoption of central European time in Britain.

He says there is strong opposition in Scotland to the change, which would align clocks in Britain with those on the Continent by advancing them an hour all year round.

Mr Rifkind said it was not an issue where "counting heads would be a sufficient basis for deciding for or against change." The intensity of feelings should also be taken into account.

The Government last year published a consultative document reviewing the arguments for and against a move to central European time.

Such a change is supported by people in business and finance and by the travel and leisure industries. It is opposed throughout the UK by the construction industry and by farmers.

There is more general opposition in Scotland, where it would mean that dawn would not come until after 9am in midwinter.

Mr Rifkind said it should be recalled that, after a previous experiment with putting the clocks forward all year, the House of Commons had, in 1970, voted by an overwhelming majority to restore the status quo.

He said that the US had five time zones "with no noticeable effect on its economic competence."

Hillsborough disaster report will be published today

By Ralph Atkins

PUBLICATION today of Lord Justice Taylor's final report on last year's football disaster at Hillsborough, Sheffield, is expected to be accompanied by confirmation that the Government has shelved plans for introducing identity cards at football grounds.

The 200-page report is expected to oppose a national identity card scheme because of the congestion it would cause outside grounds. Such a bottleneck was one of the causes of the Hillsborough disaster in which 95 supporters died.

Lord Justice Taylor is expected to make a series of recommendations for improving safety at football grounds. He is likely to favour a greater proportion of seated accommodation within grounds and may suggest a filter system to prevent fans without tickets from approaching a stadium.

The Government has no plan to repeal legislation paving the way for introduction of the identity scheme. However, Downing Street sources indicated yesterday that the Government would postpone seeking parliamentary approval to put the scheme into effect.

Instead, Mr David Waddington, the Home Secretary, is likely to urge clubs to increase spending on safety in a statement on the report.

Mrs Thatcher said last week that money spent on transfers should go on better grounds.

Spenders undaunted by loan costs

By Rachel Johnson

CONSUMERS have proved impervious to the effects of high interest rates, according to the latest City interpretations of the present trend of high borrowing costs and buoyant spending.

That is a marked shift in behaviour from the mid 1970s, when high rates of inflation were associated with negative real interest rates and subdued consumer spending.

Credit controls and inflation then forced home owners to save in order to meet interest payments. Those with funds on deposit had to save more to offset the erosion of the real value of their money.

In the 1980s, the absence of credit controls has allowed consumers to accumulate debt, not savings, say economists from the London Business School and Shearson Lehman Hutton, the securities house.

In a "remarkable reversal," the personal sector saves little and borrows heavily. That "caught the forecasters napping," as it coincided with large capital gains in the housing and equity markets.

The only way Mr John Major, the Chancellor, can hope to rein in the consumer is to "drag his feet on interest rates as inflation subsides," they say. Mr Major has called a rapid fall in savings "unprecedented behaviour."

Until inflation slows, the surprising resilience of spending will continue, giving the Treasury little evidence of counter-inflationary reduced demand in the economy.

A January Gallup survey indicated that the 1980s trend was set to continue. The 1990s had begun with a "worrying bounce" in consumer confidence. It also showed that people were more willing to buy consumer durables.

Other City analysts are suggesting that the outlook for consumer expenditure in 1990 and beyond is bleaker than recent figures suggest.

Flemings Research says that the engine of the consumer boom – vehicles, durables, luxury goods and services – has had its fuel supply cut off by high interest rates.

Mr David Walton, an economist at Goldman Sachs, says: "The absolute level of consumer confidence remains quite depressed."

Ulster jobs body warns business of aid strings

By Our Belfast Correspondent

THE Industrial Development Board, Northern Ireland's main employment agency, has emphasised that stringent conditions apply to offers of financial assistance for companies trying to set up or expand in the province.

In a statement today, Mr Tony Hopkins, the board's chief executive, said the performance of assisted businesses was closely monitored to ensure that investment promises were fulfilled. The statement followed the publication of extracts of a report from the Northern Ireland Economic Council, an independent watchdog body, which criticises the ratio of job promotions to jobs actually created in board-supported companies.

The report was compiled with the board's co-operation and will be incorporated in the board's strategy review.

Third World loan guide out this week

By Stephen Fidler, Euromarkets Correspondent

THE BANK of England has told UK banks to expect publication early this week of its new matrix, the complex credit-scoring system designed to guide banks on the provisions they should establish against losses on Third World loans.

The matrix has been ready for some months, but it has been held up by the Treasury, where there have been worries about its tax implications.

The Bank has already hinted strongly that the new matrix will recommend an increase in the average level of provisions by UK banks to an average of about 50 per cent of their Third World exposure, from about 32 per cent implied under the existing matrix.

The main UK clearing banks established the level of provisions at least in accordance with the new matrix late last year. Some, including Lloyds and National Westminster, have moved to a substantially higher level. Provisions of a number of smaller London-based banks are still set at levels implied by the old matrix.

The previous matrix was accepted by the Inland Revenue as the framework for allowances against tax. However, acceptance of the new matrix would cost £900m-£1bn in lost tax revenue.

There has been concern that the Government would use the issue to attack banks that have been unhelpful with the Government's student loans scheme. It is not clear whether publication of the matrix means that the Treasury has resolved the issue, but banks said last week they would be surprised if the matrix were not accepted by tax offices.

The matrix assesses risks attached to loans for each debtor country by scoring parameters such as whether a country is behind on repaying.

BA to cut costs by lease-back plan

By Paul Abrahams

BRITISH Airways is planning to sell and lease back some of its 16 Boeing 737 aircraft. The company already leases 29 737s.

The move is designed to reduce debt at a time of high interest rates. BA warned analysts this month that their profit forecasts were too high after a 35 per cent rise in fuel costs during the year.

BA refused to give details of the deal, which is being organised by Citibank.

Faint praise for Independent on Sunday

By Raymond Snoddy

COMPETITION in the already crowded quality Sunday newspaper market intensified yesterday with the launch of The Independent On Sunday, accompanied by the traditional faint praise from rivals.

Mr Stephen Glover, editor of the paper, said the launch had gone well and the planned 1.24m copies were printed and distributed from nine print centres.

"It seems to be selling very well. I would be surprised and disappointed if we were far short of a sell-out," Mr Glover said yesterday.

Rivals said that, based on early estimates, only about 800,000 copies had been sold and that the new title's reception was patchy in different parts of the country - with the other heavy papers losing only about 10,000 to 15,000 copies each.

A newspaper industry rule of thumb is that an initial sell-out, stimulated by curiosity and publicity, is little short of obligatory for a new paper. Even if achieved, it gives only a first optimistic clue to long-term survival.

Mr Glover is aiming for a stable circulation of around 500,000.

Mr Peter Cole, editor of The Sunday Correspondent, who managed a more modest sell-out of about 600,000 when his paper was launched in September, bestowed little praise on the newcomer during the media programme The Editors on Sky News yesterday.

Mr Cole, whose sales sank to 254,000 before bouncing back last Sunday to above 300,000, said the main news section of The Independent On Sunday looked good but "felt a little thin and fairly dailyish."

He added, for good measure, that it was a touch fogeyish, nostalgic and lacking in earth-shattering exclusives.

Mr Trevor Grove, editor of The Sunday Telegraph, also appeared, for a moment, to be praising his new competitor. He said he found the paper innovative because of its tabloid business and review sections.

However, he added that the lack of a colour magazine had forced the paper to overcompensate with tabloid sections that were "too magaziney."

In the best traditions of newspaper launches, nowhere - in all the news pages of The Sunday Times, The Observer, The Sunday Telegraph or even The Sunday Correspondent - could any room be found for a single paragraph telling readers that a new Sunday paper had been born.

Mr Cole, who probably had the best exclusive of the day - with the claim of evidence that Lebanon hostage Mr John McCarthy was alive and well - did, however, find common cause with Mr Glover.

The future battle in the Sunday quality market would be a five-way battle and not a one-to-one between The Correspondent and The Independent On Sunday, Mr Cole predicted. "The old dinosaurs will be feeling the pinch."

Water customers must pay for unexpected costs

By Andrew Hill

A CONTROVERSIAL clause in the Water Act will be crucial to the profits of the newly privatised businesses, according to a report published this week. The provision allows water companies to pass unforeseen costs through to consumers.

Ernst & Young, the accountancy firm, says the provisions of the act that permit costs to be passed through cover a very wide range of expenditure.

Increases in water charges are regulated by a system of price limits. They have already been published for the 10 newly privatised water companies. The 29 statutory water suppliers, which have always been in the private sector, will be told of their price caps soon.

Passing the costs through will add to already known price increases. The clause has been widely criticised by opponents of water privatisation, who claim that it has enabled the Government to conceal the real increase in water charges caused by privatisation.

Ernst & Young, which advises a number of statutory water companies, says in its analysis of the regulatory structure, published this week: "Some major features [of the provisions] were introduced at a relatively late stage and it is clear that the coverage and effect of cost pass-through grew substantially during the course of negotiations."

Mr Eric Anstee, head of the privatisation and utilities team at the accountants, said: "This means price regulation of the water industry tends to move much closer to a rate-of-return form of regulation."

However, Mr Anstee added: "At the end of the day this system is the only sensible way of giving an incentive for efficiency and splitting the benefits properly between shareholders and customers."

Mr Ian Byatt, director general of Water Services, is responsible for adjusting the original price limits. He will also decide which expenses can be passed on to consumers.

Water Regulation: A Guide to the Licence. Published by Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1. £50.

Biotechnology trust seeks to restructure its capital

By David Fishlock, Science Editor

BIOTECHNOLOGY Investments is seeking shareholders' approval for a capital restructuring to benefit from its capital growth.

Biotechnology Investments is the trust administered by N. M. Rothschild, the merchant bank which specialises in unquoted biotechnology shares. It says several early investments will receive regulatory approval for important new drugs in the early 1990s.

In a letter that will reach shareholders of the nine-year-old trust today, Lord Armstrong, its chairman, seeks approval for a proposal to redesignate its shares.

The proposal is that the trust's 66m issued ordinary shares and nearly 9m unissued ordinary shares should be redesignated as participating redeemable preference shares.

Extraordinary general meetings are planned for February 8 and March 2. The trust's investment objective would continue to be long-term capital appreciation, with most of the investments made in new and unquoted biotechnology and health-care companies.

In his letter, Lord Armstrong names three US biotechnology companies – Centocor, Genzyme Corporation and Immunex Corporation – as having pharmaceutical products and processes close to the market.

Universities report net inflow of academics

By David Thomas

ACADEMICS leaving Britain for jobs overseas are being outnumbered by those entering the country from abroad, according to the latest figures from the Universities Funding Council published today.

The figures cast considerable doubt on the claims from within universities that there is a brain drain of academics leaving Britain.

However, they do point to a continuing decline in the number of university staff being financed from public funds. That decline is being offset by an increase in academics funded for specific research projects by companies and other organisations.

A total of 244 academics entered the country to take up employment in British universities in 1988, the latest year for which information is available. That compares with 160 who left to work overseas.

University vice-chancellors have claimed in the past that the brain drain is concentrated in the most senior grades, but the figures show that 25 professors entered from abroad compared with 12 who left.

Full-time academic staff increased by 400, or 0.9 per cent, in 1988-89 to 46,300. That was due to an increase of 1,000 staff engaged for specific research projects, outnumbering a decline of 600 staff paid for out of public-sector funds.

Demand from foreign students for places in British universities continues to be strong, with a 7.3 per cent increase to 47,300 in the numbers of overseas students recorded in 1988-89.

The number of foreign undergraduates has risen by 43 per cent and of foreign postgraduates by 30 per cent since 1984-85.

The figures also disclose a 16 per cent increase in the number of mature British-based undergraduates, defined as aged over 21, in 1988-89.

University Statistics. 1988-89. Vol One: Students and Staff. Universities Statistical Record, PO Box 130, Cheltenham, Glos GL50 3SE. £11.50.

Accountants' defence puts image at risk

David Waller on the dilemma posed by the lawsuit against Peat Marwick McLintock

THERE WAS an air of inevitability about last week's announcement that Ferranti International, the troubled electronics group, was suing Peat Marwick McLintock over its role as auditor in the UK and the US between 1984 and 1989 to International Signal & Control, the US arms contractor Ferranti took over in 1987.

Ferranti's accusing finger seemed to point directly at Peat as long ago as November last year when the company published its revised accounts for 1989, adjusted for the effects of an alleged £215m fraud.

"We had no reason to doubt the validity of ISC's audited accounts," wrote Sir Derek Alun-Jones in his chairman's report, reflecting on the takeover of ISC.

"Reliance was placed on the last audited accounts immediately prior to the merger and on the profit record of ISC shown in its published accounts.

"The general ability so to rely on audited accounts is fundamental to the conduct of commercial business," he said.

The writ, though expected, has come as a blow to the accountancy profession.

The firm is accounting adviser and auditor to the Royal Family. It is a pillar of the financial establishment and will remain the UK's largest accountancy practice until the expected merger of Coopers & Lybrand and Deloitte Haskins & Sells' UK firm.

Judging by previous claims against auditors, the litigation is unlikely to be resolved for years.

The protracted publicity might damage the profession financially, in that it may prompt further hardening of professional indemnity insurance premiums, which trebled between 1985 and 1986; although they have since shown signs of softening.

More serious is the damage that the lawsuit will do to the image of the accountancy profession.

Any legal battle is likely to draw attention to the gap between public expectations of the role of auditors in the detection of fraud, and the profession's formal stance that its role is limited to assessing whether a set of accounts is "true and fair," as defined by statute. Indeed, the more vigorous Peat's defence, the more disappointed the business public is likely to be.

If Peat fights off the lawsuit with a successful claim based on a narrow definition of the auditor's responsibility to find fraud, it will be a victory for the firm but not for the profession.

After all, the accountancy firms have justified their recent bout of mergers and their diversification into business areas beyond the basic audit by saying that they are in business solely in order to please their clients.

However subtle the legal arguments, it will appear very odd to those clients if Peat manages to give the impression that detecting fraud is not a priority.

Peat Marwick was reporting accountant to ISC when it came to the London stock market by way of an introduction in 1982, and was appointed joint auditor to Ferranti International, with Grant Thornton, previously Ferranti's sole auditor, when the two companies merged in 1987.

As auditor to ISC, Peat Marwick forced a conservative line on the recognition of the company's profits in the summer of 1987 immediately before the merger.

The profits shortfall when it announced its results drove the share price down 25 per cent in one day, creating the conditions whereby ISC started to seek a merger partner.

It is ironic that Peat's tough stance in the summer of 1987 may have increased Ferranti's faith in the ISC figures.

The scepticism that all acquiring companies ought to show when scrutinising the earnings of an acquisition target may have been tempered by the knowledge that the venerable Peat Marwick had, only a few months before, crawled through the figures, found them wanting, and had had the courage to insist on adjustments.

The Ferranti writ might be the start of a new wave of litigation against UK auditors. One reason for that is that auditors are insured against such claims. Another is that the downturn in the UK economy is making more company failures likely.

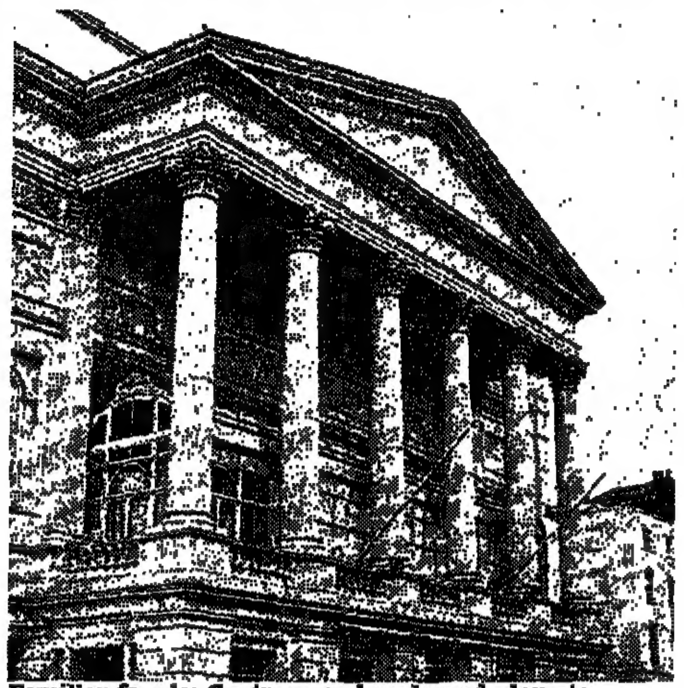
To the extent that business collapses are due to the after-effects of deals consummated in the heady days of the now defunct bull market, auditors will be vulnerable.

Companies will argue that they relied on figures for their acquisition targets which, although audited, proved to be grossly over-optimistic in the light of subsequent events.

Apart from Ferranti, the present focus of litigation is the US, where some of the big firms have been sued over their role as auditors to many of the collapsed savings and loan institutions, and more lawsuits are expected.

In the UK, Arthur Young paid out nearly £50m in 1988-89 over its role as auditor to Johnson Matthey Bankers, which was rescued by the Bank of England in 1984.

A second large claim dating from the same time, against Arthur Andersen over audits of the De Lorean car company in Northern Ireland, has still not been settled.



Familiar facade: Controversy has dogged plans to modernise the Royal Opera House, Covent Garden

Debate on Opera House plans

By Paul Cheeseright, Property Correspondent

THE ROYAL Opera House's £175m bid to transform its Edwardian squalor into a 21st-century centre of the performing arts opens to another scene of controversy tomorrow.

Westminster City Council's planning committee will consider its application for the renovation of the opera house, home of the national opera and ballet companies, and a commercial property development.

Successive plans for remodelling the opera house and its surroundings have set off a cacophony of argument that will be reflected in the planning committee.

The council's professional planners recommend that the application be accepted in principle but they have a long list of reservations about the bulk and design of the offices and retail buildings which are intended to pay for most of the opera house improvements.

They are also unhappy about the design of the flytower which would look down over Covent Garden, the district in London's West End where the opera house is the dominant building.

Committee acceptance of those reservations would impose design changes that might upset the project's financial balance. As its plans now stand, the Royal Opera House expects a gap of at least £35m between the income generated by the commercial development and the renovation costs of its own facilities.

The planners suggest that the council should seek clarification of the Royal Opera House's ability to finance the deficit, and, depending on the answer, examine the possibility of adding more housing to the scheme.

The minority Labour Party has decided to oppose the application although it accepts the need for a commercial element in the Royal Opera House scheme. It is concerned that the plans do not include enough housing and that the commercial element is too large.

That view is a synthesis of the objections to the scheme that have come from bodies such as English Heritage, the Georgian Society and the Covent Garden Area Trust. In the van of the opposition, the Covent Garden Community Association has consistently used architectural arguments to bolster its objection to the financing of finance opera house renovation by commercial development.

The Royal Opera House is anxious for a decision by the summer at the latest so it can arrange to close its doors in 1993 for the three years renovations will take.

MANAGEMENT

Vocational training in the UK

Why copying the German model is not the answer

Malcolm Warner argues the case for seeking a European approach

Reform of the system by which the United Kingdom trains its workers – or fails to – is at last very much on the political agenda. Hardly a week has gone by since last autumn without some new initiative, study or pronouncement from the government, the Confederation of British Industry, an economic institute or a group of academic experts.

The need for radical reform is urgent. Britain's training gap with France, West Germany, Japan, Sweden and so forth has long been a contributory cause of the country's poor economic performance; apart from anything else, the recurrent shortage of skilled workers increases unit labour costs. Now, particularly as Europe moves towards the single market after 1992, tougher industrial competition calls for much greater competence-moulding efforts, as part of a broader increase of investment in human resources.

Because Britain's best-documented gap is with the Federal Republic, and Germany's training system has seemed so successful that there has been a growing tendency to try to copy it.

The German system is probably better equipped to deal with skill-intensive integrated technologies and new kinds of flexible production systems than the British. Yet to oversimplify the problem is to mislead. Comparisons with other countries' systems are often perilous, whether those comparisons are quantitative or worse still, qualitative. Of course, Britain does want managers and workers to master necessary skills, but skills for which kinds of economic activity and which kinds of product?

Media discussion of the UK reform proposals, and especially the work of the National Council for Vocational Qualifications (which is trying "to establish common standards across industries"), has thus far mainly addressed itself to generalities. The debate needs to be informed by showing how skills and training policies must be considered as an adjunct of product strategies.

As a recent survey by P A Consultants pointed out, British companies do not concentrate enough on introducing new high-tech products. Whereas 64 per cent of UK companies emphasised new products as the beneficiary of investment in new technology, 84 per cent of them focused on new production processes. For Germany (and Japan), the percentages are exactly reversed. It would seem that British companies are falling behind their competitors in product innovation, by at least this margin.

In short, an effective product strategy is the key to a more competitive use of microelectronics in manufacturing. Getting the right product to market must come first, and in order to do so you need appropriately skilled and trained personnel. On the other hand, there is a vicious circle in that difficulty in obtaining skilled workers may prevent product development.

How does British industry make sure it has the right products, and the skills it needs to produce them? In research carried out recently with colleagues,* an analysis was made of the product strategy, competence requirements and training in over 50 companies located in Great Britain and the Federal Republic.

The sectors we investigated included microelectronic product applications in the following areas: electrical and mechanical engineering; electronics and data-processing equipment; manufacture of vehicles (land, air and sea); precision instruments, optics, watches and clocks; installation and servicing of products with microelectronics.

The sample of companies chosen was selected to reflect the relative concentration of microelectronics applications in the respective economies.

Companies in both countries had specific competence requirements in mind once they had adopted their product strategies. They needed practical, up-dated experience of electronics rather than purely academically attained knowledge. Marketing integrated with development sophistication was de rigueur. Hardware and software skills had to be mixed together, specific to certain types of product application.

National patterns of both product strategy and training were discernible.

British manufacturing has for a long time, for example, been more dependent on defence, aerospace and telecommunications industries than its West German counterpart, but this may be changing as Siemens and other West German companies buy into these UK sectors, or develop collaborative ventures.

Further erosion of the UK market cannot be excluded, although whether this will affect medium-size and smaller firms substantially is debatable.

In the past, then, companies in both countries had distinct product strategies, which led to different training implications. Company-specific, market-led, personnel training policies were seemingly characteristic of British firms and often open to criticism for their wasteful use of human resources.

These policies appear to be more in line with an individualist tradition, rather than the more collectivist approach found in West Germany, with its technical education geared to a "social partnership" between government, employers and unions.

Such a system has a lengthy tradition linked to concentrating on the middle ground of skill-preparation (that is, craftsmen and technicians) and geared to practical problem-solving, which contrasted with the British concern with the greater development of classroom-prepared specialists. For example, British middle managers had a marked preference for university graduates, whatever the nature of tasks involved in high-tech applications.

The results of our study suggest that German firms based their strategy on vertical integration, inserting components as opposed to just assembling modules from subcontractors and suppliers. This practice, unlike that of British companies, occurred even where the production activity (making electronic products) involved was alien to their traditional business.

Furthermore, wider training for workers in German companies (that is, imparting more skills than were really needed to do the jobs in question) enabled the companies to shift such disciplines with greater ease. To assist this, craft-workers in electrical and electronics trades were more in evidence there than in Britain, and their tasks more closely related to the introduction of microelectronics into product lines.

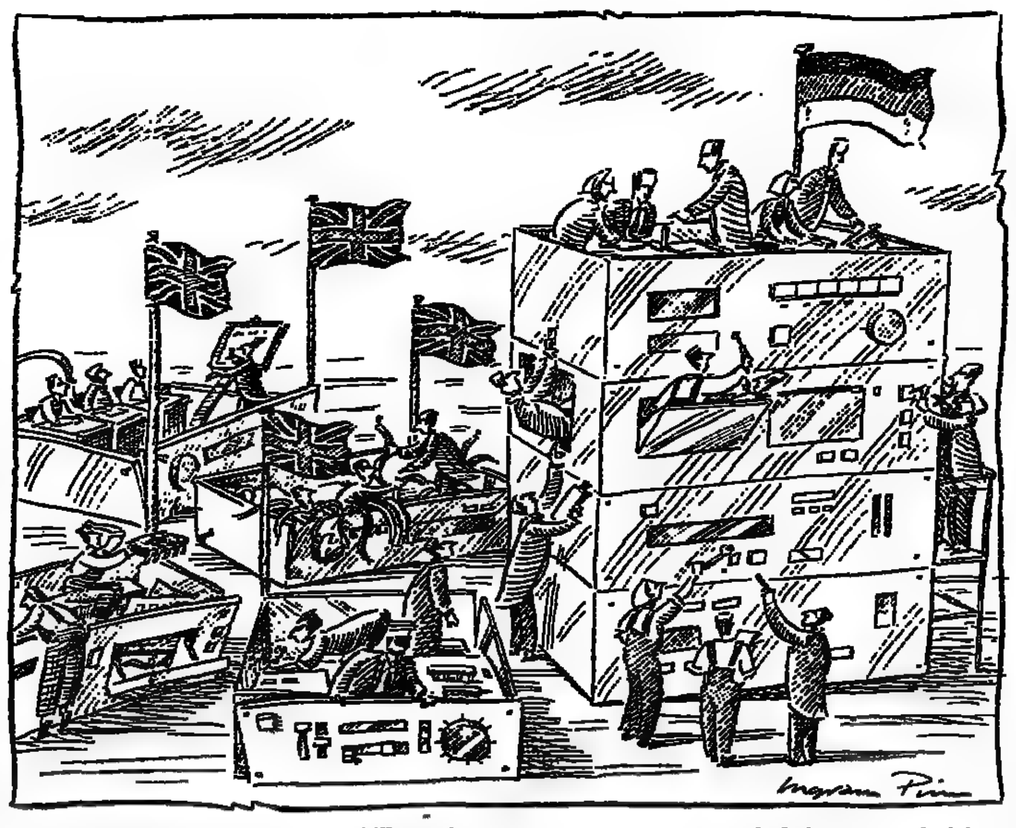
In Germany, technicians hired after they finished their external courses were mostly apprenticed craft-workers who had attended a technician school in mid-career to acquire enhanced skills in those areas.

In Britain, "short-termism" characterised the training field. Few steps were taken unless a clear, immediate profit advantage was envisaged, unlike the German practice of building up the company's long-term competence profile.

Then and now, British managers have a deep-rooted fear of anyone they train being poached. As one manager put it, "we are not in business to train people just so they can be snapped up by someone else." The Germans, our research found, emphasised forward integration more, integrating hardware and software customisation. Engineers were drawn from both the university sector and the advanced technical schools.

There were also nationally accepted staffing and training arrangements.

The German approach in microelectronics applications was consequently less piecemeal than the British; it built on the electrical craft-workers who constituted the pool from which technicians emerge. In Britain by contrast, there was a division between apprenticeships and technician training.



In both countries, however, engineers benefited most from further training. The British approach was, however, ad hoc compared with the German system of comprehensive training, added to by re-training.

To sum up, the Germans' training model has been appropriate to their needs because they have followed a different set of product strategies. But, looking forward, if many UK product strategies change in the wake of the ownership of British companies to continental European parents, will "national" definitions of both strategies become less relevant? Should the UK merely import training policies from these externally-owned companies in such an event? Or should it go further and develop a European model of competence and training?

In posing a strategic choice for British training, in the context of post-1992 developments, it must be remembered that there are no easy answers and it would be unwise to see the problem as a black-and-white issue. The lessons to be learnt from the above research suggest that the UK must become more systematic in its approach to training, it must emphasise intermediate level skills, and it must not neglect retraining.

Whichever model of training is adopted, I strongly believe it should have an element of *practical work-based experience* in it. It is unlikely that British companies could revitalise an apprenticeship system like the German one on any scale; so adapting a college-based system of vocational training, with substantial part-time shop-floor experience, may be an option to be taken seriously. Most 16-year old Britons would stay on in full-time learning activity.

A "European" core-competence model could then ultimately emerge from a synthesis of the various existing national patterns of training *on offer over a ten-year period*, say by the year 2002, bringing in both the classroom and shopfloor dimensions of training.

The UK must do better, for at present most British workers, as last November's report, Training in Britain**, reveals, get no training at all. In the short term, however, part of the solution lies in the ways British companies (and indeed those of other countries) cope with the skills at hand and the ingenuity they can muster to take advantage of existing in-house training strengths *especially by making better* use of their own technicians and craftsmen.

Companies must devote more resources to investment in human resources. They *must supplement considerably* any voucher-based scheme funded by government. Without a systematic follow-up, and close monitoring by employers, vouchers may be mis-spent. Taking on board any one "national" training model en bloc is, in any event, both impractical and inappropriate. A "European" model must evolve gradually.

British companies, however, must first ensure that they are making the right products for the right markets.

* *Carried out in collaboration with Adrian Campbell of the the University of Birmingham and Professor Arndt Sorge, based at the University of Limburg, Maastricht, the project was part-financed by the Anglo-German Foundation for the study of Industrial Society, and published as Microelectronic Product Applications in Great Britain and West Germany: Strategies, Competence and Training. By Campbell, Sorge and Warner. Avebury/Gower, £21.*

***Published by the Training Agency, HMSO, £20.*

Professor Malcolm Warner is a Fellow of Wolfson College, Cambridge.

Management abstracts

The experts in your midst. *M J Prietula and H A Simon in Harvard Business Review (US), Jan/Feb 89 (5 pages)*

Explores the dimensions of expertise – why experts are experts, how they get to be experts, and what their reasoning processes are (a mixture of analysis and intuition); contends that an understanding of the phenomenon is crucial to management's ability to spot experts and encourage their maximum contribution to the business (by structuring the reward system so that expertise can be recognised).

Computer systems: don't take the mains supply for granted. *A Foster in Which Computer? (UK), Jul 89 (1 page)*

Reviews an uninterruptable power supply (UPS) system which guards against the potentially catastrophic consequences of a failure in a computer's power supply; the Galatrek UPS does this and more – it also conditions the main supply to filter out interference spikes and power dips and, in the event of the system being unattended during a power failure, it will take control, save all open files and safely shut down the system.

Volunteers: what are they worth? *J Dalsimer in Management Accounting (US), May 89 (6 pages)*

Argues that if non-profit organisations are accurately to report their performance they must ascribe monetary values to volunteer services and donated materials; shows how this can be done, essentially by making comparisons with the commercial costs of equivalent services and materials.

Keeping adults interested in training. *M Rigg in Transition (UK), Jul 889 (3 pages)*

Summarises a Policy Studies Institute survey, spanning all educational levels, on factors that keep adults interested in training and stimulate them either to undertake it for themselves or to participate willingly in courses provided by their employer; also analyses why 40 per cent of respondents did not consider any further training to be worth investigating, eg they felt they were too old to benefit from it.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £3 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.

CONSTRUCTION CONTRACTS

Distribution warehouse project

TEAM MANAGEMENT (SCOTLAND) has secured two project management contracts worth £22m. *The largest, at £12m*, is for the construction of a chill store and distribution warehouse for ASDA in Grangemouth. Team has management responsibility for the full design, procurement and construction phases of the job. The building, which consists of heavily piled foundations with a steel framed superstructure, will include a considerable amount of mechanical and electrical services to provide temperature control in the chill stores. The whole project, including design, is programmed for 52 weeks.

In Robroyston, Glasgow, and by contrast, Team Management (Scotland) is to project manage the construction of an 80 bedroom old people's residence. This complex will house all essential amenities for the elderly, including medical support and recreational facilities. Construction consists of a masonry superstructure and structural steelwork where the design calls for large spans. The project, for The Little Sisters of the Poor, will be completed at the end of 1992. Team Management (Scotland) is a part of Team Services.

Housing Croydon insurance company

TAYLOR WOODROW MANAGEMENT CONTRACTING has been awarded a contract worth £11.6m by DL Buildings for Direct Line Insurance, a subsidiary of the Royal Bank of Scotland, to construct two neighbouring buildings in Edridge Road, Croydon.

The first building is a two storey computer facility; the second is an eight storey office block clad with curtain walling. Both are adjacent to Direct Line Insurance's head office building.

Direct Line Insurance is placing the computer installation contract direct but TWMC will be responsible for coordinating the mechanical and electrical services for this. Around the development there will be a single level car park which will be planted with trees and landscaped.

Work on site has already commenced for completion of the computer block in summer 1990 and completion of the office block in summer 1991.

Fitting out buildings in City of Bristol

A 132 bedroom hotel at Bristol and new BBC studios at Southampton are to be fitted out as part of the latest work, worth more than £18 million, won by TARMAC CONSTRUCTION.

The company has been awarded a contract worth £4m, to fit out the Bristol Moat House Hotel, bringing the total value of work on the hotel and adjoining office block in the centre of Bristol to £12m.

Construction of the shell of the hotel and the six storey office block, costing £6m, began last February and in November the company was awarded a £1.8m contract to fit out the offices. The development for Clayform Properties and Queens Moat Houses is expected to be completed in the summer.

Studios and offices including the provision of mechanical and electrical services are to be installed in the BBC's new building in Havelock Road, Southampton, at a cost of £4.4m.

Three industrial units with site works and drainage, are to be built for A. & J. Mucklow & Company for £2.2m at Rugby, and shops and offices at St. Anne Square in the centre of Manchester, are to be refurbished at a cost of £1.5m for Pilkington Properties.

Other projects include shops at Bootle, Merseyside, worth £625,000, for Agnew Gate Company; conversion of a church premises at Edinburgh for the Edinburgh School of English Studies costing £340,000, and the fitting out of the Royal Bank of Scotland premises at Scunthorpe at a cost of £281,000.

A £2m contract to improve council houses for Leeds City Council heads the list of projects won by the contract housing division. The division's other contracts include work on homes at Glasgow (£996,000); Sandwell (£703,000); Birmingham (£509,000), Rochdale (£415,000); Shipley (£402,000) and Accrington (£335,000).

Light industrial block in Holborn

HENRY BOOT has been awarded a contract valued in excess of £4.5m for the construction of a five-storey office and light industrial block in Macklin Street, London WC2.

The work is being undertaken for MEPC Contracting and calls for a brick clad in situ concrete frame building with steel frame at high level. Completion of the project is programmed for April 1991.

Henry Boot is also engaged on a number of housing refurbishment projects for Sheffield City Council. The work involved calls for differing elements of refurbishment ranging from the replacement of doors, windows and roofs to the repair of defective brickwork, paths, paving and fences. All work is scheduled to be completed by November, 1990.

Following the completion of Phases 1 and 2 involving the internal and external refurbishment of two 15-storey tower blocks in Sheffield, Henry Boot has now been awarded the contract to undertake Phase 3. In this project a third 15-storey tower block containing 87 one-bed flats is to be refurbished in a £2.2m 55-week programme.

Work has already started on the fast track fitting-out of floors five and six of Westminster House, Manchester, the regional offices of Halifax Building Society. Extensive mechanical and electrical work is included in the project which will be completed by March 1990 as part of the Society's current relocation plans.

Kettering by-pass

A £30.7m *contract* has been awarded to BALFOUR BEATTY to build the Kettering southern by-pass.

The contract is the sixth of twelve contracts to be let for the M1/A1 link road. Work is expected to start in February and take about two years.

The scheme consists of six miles (9.7km) of dual carriageway *from the A6 Rothwell* Road west of Kettering, around the south of the town to join with the section of the link road being constructed to the east between Kettering and Thrapston. Work should also start shortly on the contract, already let, for the section westwards to Rothwell.

The work includes the provision of four grade separated interchanges, three road overbridges, one rail underbridge and one private accommodation bridge.

Water services

AMEC GROUP companies have won business totalling nearly £60m. Press Construction has been engaged by Thames Water for a three-year programme of main and service pipelaying and repair in three London districts.

Fairclough Building *is* constructing a shopping centre in Weymouth, a retail superstore in the north-west, and a large hotel-to-offices conversion in the Midlands.

Council houses

New houses, which will provide accommodation for 114 families, will be built by LOVELL CONSTRUCTION under a £6.9m contract for Crawley Borough Council.

The houses are a further addition to the Broadfield Housing Estate on the outskirts of Crawley. The contract is scheduled for completion in October 1991.

LEGAL COLUMN

Comparisons prove 'odorous' in acquisition advisers' table

By Robert Rice, Legal Correspondent

AS DOGBERRY would have it, comparisons are odorous. Judging by the fuss they are making about the recently published *Acquisitions* Monthly league table of legal advisers to companies involved in UK public takeovers in 1989, City lawyers appear to agree with him.

The most common complaints are that ranking lawyers by value of the takeovers in which they were acting for one of the main parties to the deal presents an inaccurate picture of those doing the greatest volume of work in the field of mergers and acquisitions. It does not, for example, take into account the work done by many firms that act for the financial advisers to the principals. If it did, the final rankings would be completely different, they argue.

To be fair to Acquisitions Monthly, it quite clearly states the basis on which the table is compiled. If it were compiled in a different way it would be a different table.

However, the point the lawyers are making is that by presenting it in this form it may give readers an incomplete picture.

The answer may be that in future years the magazine and others that compile similar league tables will have to produce more than one, each compiled on a different basis, in order to reflect the true involvement of lawyers in the field.

They may, for example, have to produce one that takes into account the involvement of all law firms and not just UK lawyers. It is well known that virtually every significant M&A *transaction* involves lawyers from a number of jurisdictions in important roles.

As US lawyers Sullivan & Cromwell point out, firms such as theirs, which have substantial overseas presences, have been particularly active in cross-border transactions and even in transactions in which all the principal parties are organised under laws of a country other than the US.

To illustrate their point, they can provide a very impressive list of the UK public takeovers in which they were involved last year. In the £4.5bn merger of Beecham and SmithKline Beckman, Sullivan & Cromwell acted for SmithKline's financial advisers. On Ford's £1.6bn agreed purchase of Jaguar it acted for Ford's financial adviser. In Boots' successful £890m bid for Ward White it acted for Boots. It acted for Kingfisher in its bid for Dixons, and for Carlton Communications in its bid for UEI.

In all, that made nine big transactions with a combined value of £9.6bn; which, it says, would place it sixth in the Acquisitions Monthly table.

That is not strictly true because Acquisitions Monthly only counts deals in which the firms acted for the principals involved. Nevertheless, even if you leave out the deals where Sullivan & Cromwell was acting for the financial advisers to the principals, it was still involved in seven large transactions with a combined value of just over £3.5bn. That would certainly have placed it tenth. Other non-UK firms could probably make a similar point, it says.

Some publications are gradually realising that it is important to include in their league tables law firms that are not local to the principals involved in the deal, according to Mr Robert DeLaMater, of Sullivan & Cromwell's London office. The January 1990 issue of US magazine *Corporate Control Alert* includes law firms based in the UK alongside US firms.

Top of its 1989 league table comes Skadden Arps Slate Meagher & Flom, with involvement in 19 deals, closely followed by Sullivan & Cromwell with 17. In at least *half of the* deals included in the table in which they were involved, both Skadden Arps and Sullivan & Cromwell acted for bidders.

The first UK law firms to appear in the table are placed joint 11th for their involvement in five deals each. They are Herbert Smith, Linklaters & Paines and Slaughter and May. Herbert Smith and Slaughters are listed as having acted primarily for investment advisers to the deals. Linklaters' representation is listed as split evenly between bidders' targets and investment advisers. Ashurst Morris Crisp are listed in joint 17th place for their involvement in four deals acting primarily for investment advisers.

In order to reinforce his point, Mr DeLaMater also provides a list of 64 M&A transactions with a combined value in excess of £40bn in which Sullivan & Cromwell acted during 1989 that involved at least one non-US principal, including 21 transactions with a combined value of £15bn in which both the bidder and the target were non-US organisations.

The list, naturally enough, does not include the "substantially greater number" of M&A transactions in which the firm acted last year that involved only US principals, but which nevertheless may have raised non-US legal issues.

Mr DeLaMater has made his point. Perhaps as some law firms look towards the emergence of eight or ten giant global law firms by the turn of the century, the time has arrived to compile a league table of the top 10 legal advisers worldwide in the M&A field, based on the value of all public takeovers they were involved in last year, either as advisers to the principals to the deal or their financial advisers.

EC appoints lawyers to advise on citizens' rights

IN 1985 A programme for a People's Europe was launched in *recognition by the member* states and the European Commission of the importance of making citizens aware of the rights which they are guaranteed by the Treaty of Rome. They include those of residence, free movement of workers, equal treatment for men and women and access to social security benefits in other member states.

To complement the People's Europe programme, *the Commission* has now appointed a lawyer to each of its national offices to advise individuals on their rights under Community law. London has just opened its Citizen's Europe Advisory Service (CEAS).

Its role will be primarily to assist other organisations that help individuals and require information concerning the types of issue falling within the People's Europe programme and, within the scope of its limited resources, to assist individuals on specific difficulties.

The roots of the initiative stretch back to 1984 when the Fontainebleau European Council meeting instructed an ad hoc committee chaired by Italian Socialist MEP, Mr Pietro Adonnino, to identify ways in which the Community could respond to the expectations of Europe by adopting measures *to strengthen and promote* its identity and its image both for its citizens and for the rest of the world.

The committee emphasised measures that would create bonds and a sense of identity between Community citizens. It drew up two reports, the first of which identified practical measures that would enable people to benefit from rights such as freedom of movement, and the second of which was designed to give the community *a new political*, social and cultural identity.

Much has already been achieved. Six million people now live and work in member states other than their own, and 45m workers living in frontier regions between member states either work in member states other than the one they live in or are directly affected by conditions in the neighbouring state.

Among the many things the People's Europe programme has spawned are the common-format European passport, the 1986 Action Programme on Cancer and Drug Addiction and the Erasmus programme, which enables students to spend some of their university training in an institution of another member state.

The London CEAS is open for business on Mondays.

DIARY DATES

PARLIAMENTARY

Today

Commons: Employment Bill, second reading.

Motion on Welfare Food Regulations.

Lords: Capital Allowances (Consolidation) Bill, second reading.

Courts and Legal Services Bill, committee.

Motion to annul the code of practice on the implementation of the Mental Health Act.

Select committee: Public Accounts: subject, promotion of quality and standards. Witnesses: Sir Peter Gregson, Department of Trade and Industry, and Dr Ivan Dunstan, British Standards Institution. (Room 16, 4.30 p.m.)

Tomorrow

Commons: Opposition debate on "People trapped in poverty" followed by debate on the implications of the Taylor Report on safety at football grounds.

Motion on Private Medical Insurance Regulations.

Lords: Law Reform (Miscellaneous Provisions) (Scotland) Bill, second reading.

Debate on the greenhouse effect.

Motions on food protection orders.

Select committee: Procedure: subject, working of the select committee system. Witnesses: Mr Frank Field MP, Mr David Marshall MP, Mr Michael Mates MP and Sir John Wheeler MP. (Room 6, 4.30 p.m.)

Committee on a Private Bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Opposition debates organised by the Social and Liberal Democrats on "The European Community and developments in Eastern Europe," and "Small businesses and the self-employed."

Lords: Debate on "The importance of education and training for economic success."

Question to Government on "Measures to reduce and improve the quality of legislation."

Select committees: Environment: subject, pollution of beaches. Witnesses: Lancashire Council and North West Water. (Room 8, 10.30 a.m.)

Welsh Affairs: subject, toxic waste disposal. Witness: Max Recovery. (Room 18, 10.35 a.m.)

Agriculture: subject, fish farming. Witnesses: Crown Estate Commissioners and the Natural Environment Research Council. (Room 20, 10.45 a.m.)

Trade and Industry: subject, company investigations. Witnesses: Securities and Investments Board. (Room 15, 10.45 a.m.)

Defence: subject, security of military installations. Witnesses: MoD officials.

Energy: subject, fast breeder reactor. Witness: Mr Walter Patterson. (Room 8, 11 a.m.)

Education: subject, prison education. Witnesses: NACRO; National Association of Teachers in Further and Higher Education. (Room 18, 4.15 p.m.)

Employment: subject, tourism. Witnesses: Countryside Commission and Association of District Councils. (Room 20, 4.15 p.m.)

Home Affairs: subject, Crown Prosecution Service. Witness: Mr Allan Green, DPP. (Room 25, 4.15 p.m.)

Public Accounts: subject, TV licence evasion. Witness: Sir Clive Whitmore, Home Office. (Room 16, 4.15 p.m.)

Social Services: subject, social security. Witness: Mr Tony Newton, Social Services Secretary. (Room 6, 4.15 p.m.)

Treasury and Civil Service: subject, international debt strategy. Witnesses: Treasury officials. (Room 8, 4.30 p.m.)

Committee on a Private Bill: King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: Debate on procedure motions.

Civil Aviation Authority Bill, remaining stages.

Opposed private business from 7 p.m.

Lords: Courts and Legal Services Bill, committee.

Weights and Measures (Sale of Wine) Bill, committee.

Select committees: European Legislation: subject, CAP price-fixing. Witness: Mr John Gummer, Agriculture Minister. (Room 15, 4.30 p.m.)

Friday

Commons: Private members' bills.

FINANCIAL

TODAY

BOARD MEETINGS-

Finals:
Bullough
Dewey Warren
Jaques Vert
TACE
Yelverton Invs.

Interims:
Barnato Exploration
Brandon Hire
Ford Sellar Morris Properties
Haynes Publishing
Kelt Energy
Menzies (John)
Toothill (RW)
TR Trustees Corp

DIVIDEND & INTEREST PAYMENTS-
Bank of Nova Scotia 26cts
Bristol & West Building Society Flg Rate Nts 1993 £377.61
Canadian Imperial Bank of Commerce 33cts
Do. Flg Rate Debs 2084 $469.23
Canadian Pacific 23cts
Do. 4% Prf 0.66666p
Do. 4% Prf 0.66666p
Cranswick Mill 1.65p
Darby 1.2p
Gibbs Mew 1p
Great Northern Iron Ore Properties 250cts
Liberty Life Association of Africa 560cts
Do. Pfd 560cts
Reliance Security 1.8p
Waterglade International 1.95p
Whitecroft 4.6p
Do 4.1% Prf 2.05p
Wolverhampton & Dudley Breweries 6p

TOMORROW

COMPANY MEETINGS-
Radio City Sound of Merseyside, Atlantic Tower Hotel, Liverpool, 12.45

BOARD MEETINGS-

Finals:
Gardiner Group
Lowe (Robert H)
Micrologic
Partridge Fine Arts
Throgmorton Trust

Interims:
AIM
Applied Holographics
British Channel Ship Repairers
Cray Electronics
Davies (D.Y.)
Dudley Jenkins
Ransom (William)
Shelton (Martin)
UPL

DIVIDEND & INTEREST PAYMENTS-
Dow Chemical 65cts
F. & C. Smaller Companies 0.45p
Laidcon Inc. 0.25cts
Nationwide Anglia Building Society 8⅞% Index-Linked 2021 2.3229pc
Northern Rock Building Society Flg Rate Nts 1992 £196.15
Rysu 1p
SAC Intl. 5p

WEDNESDAY JANUARY 31

COMPANY MEETINGS-
Fulcrum Investment Trust, Middlethorpe Hall, Bishopthorpe Road, York, 12.30
Johnson & Firth Brown, Ramada Renaissance Hotel, Blackfriars Street, Manchester, 11.00

BOARD MEETINGS-

Finals:
Allied Textile
Central Motor Auctions
Colorvision
Domino Printing Sciences
Greenwich Resources
RCO Hldgs.
Tilley Intl.
Wilding Office Equipment

Interims:
Johannesburg Cons. Investment
Optical & Medical Ins.
Platignum
Prism Leisure
Sanderson Murray & Elder
Smith (W.H.)

DIVIDEND & INTEREST PAYMENTS-
Airflow Streamlines 10% Prf 5p
Airsprung 2.32p
Ashley Group 0.75p
Associated Fisheries 8¼% Uns Ln 4.125pc
Ball (A. H.) 2.2p
Bank of Nova Scotia Flg Rate Debs 2000 £390.05
Beattie (James) 6% Prf 2.1p
Beazer 8½% Cnv Uns Ln 2000 4.25pc
Biotechnology Investments 1.5cts
Bridport-Gundry 5.1p
Britannia Arrow Holdings 9% Cnv Uns Ln 4.5pc
British & Commonwealth Holdings 4.75% Cnv Red Prf 2.375p
Do. 7¾% Cnv Sub Uns Ln 3.875pc
Do. 10½% Uns Ln 5.25pc
British Dredging 8% Uns Ln 4pc
British Petroleum 8% 1st Prf 2.8p
Do. 9% 2nd Prf 3.15p
Campbell Soup 25cts
Chase Manhattan O'seas Bank Corp Flg Rate Nts 1993 $44.72
Citicorp Banking Corp Flg Rate Cap Nts 30/10/96 $225.21
Do. Flg Rate Cap Nts 30/1/97 $225.21
Crystalate Holdings 3.9p
Do. 8% Prf 2.8p
Davies & Newman 4.5p
Dewhurst 9.75% Prf 4.875p
Dixons 2.5p
ERF Hldgs. 4p
Edencorp 0.3p
English & Scottish Investors 11% Deb 2014 5.725pc
Essex Water 2.45% Perp Prf 1.225p
Do. 3.5% Prf 1.75p
Faupel Trading 1.85p
First Scottish American Trust 11.5% Deb 2018 5.75pc
Fleming Japanese Investment Trust 5% Prf 1.75p
Do. 4½% Deb 85/90 2.25pc
Fobel Intl. 4p
French Connection 0.9p
Granada 3.75p
Guildhall Property 6⅞% 1st Mtg Deb 3.4375pc
Harwell 1p
Hopkinsons 5.25% Prf 2.625p
House of Fraser 8¼% Uns Ln 93/98 4.125pc
Do. 6% Uns Ln 98/93 3pc
Iceland (Republic of) 14½% Ln 2016 7.25pc
Italian Intl. Bank Flg Rate Nts 1991 $463.61
Ivory & Sime 1.25p
KLP Cnv Red Prf 3.375p
Leisure Investments 7% Cnv Red Prf 3.5p
Lewis (John) Properties 9¼% Mtg Deb 4.625pc
Liberty 6% Prf 2.1p
Do. 9.5% Prf 4.75p
Linread 8% Uns Ln Stk 4pc
Lovell (G. F.) 2p
Lowe's Companies Inc. 13cts
Lynton Property & Reversionary 10¼% 1st Mtg Deb 5.125pc
M & G High Income Fund 9p
Macallan-Glenlivet 7% Prf 3.5p
McKechnie 6% Prf 2.1p
Marley 5½% Prf 1.375p
Mexico Fund 6.3cts
Mid Kent Holdings 3p
Murray Income Trust 1.88p
Murray Ventures 11.1% Deb 5.55pc
NMC 1.25p
Osborn (Samuel) & Co 7½% Deb 3.875pc
Owen & Robinson 8½% Cnv Red Prf 4.5137p
PHH Corporation 29cts
Penny & Giles Intl. 1.25p
Polly Peck International 8% Cnv Red Prf 3p
Prestac Holdings 10.5% Prf 5.25p
Prestwick Holdings 7¼% Cnv Cm Red Prf 3.625p
Principal Hotels 11% Cnv Uns Ln 5.5pc
Property Company of London 0.5p
Ratners 3.375p
River Plate & General Inv. Trust 4.7p
Royal Bank of Canada Flg Rate Debs 2005 $82.5
S & U Stores 31.5% Prf 1.96875p
Sale Tilney 1.75p
Scottish Eastern Investment Trust 9¼% Deb Stk 2020 4.875pc
Do. 12⅜% Deb 2012 6.1875pc
Smith & Nephew 5½% Prf 1.925p
Smith New Court Cnv Red Prf 3.25p
Temple Bar Investment Trust 7% Prf 2.45p
Throgmorton Trust 7¼% 1st Prf 2.5375p
Tinsley Robor 0.75p
Tiphook 2.7p
Tootal 7¾% Uns Ln 3.875pc
Tor Investment Trust 5p
Do. 5½% Deb 2.75pc
Transamerica Corporation 49cts
USKO 75cts
Vaux Group 6½% Deb 3.25pc
Do. 7¼% Deb 3.625pc
Waverley Cameron 0.5p
Wolseley 8.2p
Do. 7% Deb 3.5pc
Do. 10% Deb 5pc

THURSDAY FEBRUARY 1

COMPANY MEETINGS-
Greenall Whitley, Belfry Hotel, Wishaw, North Warwickshire, 12.00

BOARD MEETINGS-

Finals:
French (Thomas)

Interims:
Aerospace Eng.

DIVIDEND & INTEREST PAYMENTS-
Aberdeen Corporation 12.5p
Acal 1.56p
Allied London Properties 10% Prf 5p
American Information Tech. Corporation 79cts
American Telephone & Telegraph 30cts
BTP 2.75p
Bell Atlantic Corporation 110cts
Bellsouth Corporation 65cts
Bogod 0.1p
Do. A 0.2p
Chloride 0.55p
Do. 6% Prf 2.1p
Consolidated 4% Ln 2pc
Continuous Stationery 1.2p
Dalgety 4.85% Prf 2.425p
Drayton Consolidated Trust 4½% Perp Deb 2.25pc
Fleming Mercantile Investment Trust 2.8% Prf 1.4p
Do. 3.5% Prf 1.75p
Jermers 5p
Johnson & Firth Brown 1.8p
Law Debenture Corporation 3.85% Prf 1.925p
Lewis (John) 5% 1st Prf 1.75p
Do. 7% Prf 2.45p
Lincoln National Corporation 65cts
Merchants Trust 4½% Prf 1.825p
Monks Investment Trust 1.8p
Moor Inc 50cts
Polly Peck Intl 9% Cnv Uns Ln 4.5pc
Shell Transport & Trading 7% 2nd Prf 2.45p
Sims Food 2.64p
Southwestern Bell 69cts
Tinsley (Eliza) 1.8p

FRIDAY FEBRUARY 2

COMPANY MEETINGS-
Guiness Mahon Holdings, Bakers Hall, 9 Harp Lane, E.C., 12.00
Vaux, The Three Tuns Hotel, Durham, 12.00

BOARD MEETINGS-

Finals:
Buckingham Intl.
Kleen-E-Ze Hldgs.

DIVIDEND & INTEREST PAYMENTS-
Beaverco 1.9p
Bristol Evening Post 3.75p
Greenall Whitley 5.4p
Do. A 1.08p
Greene King & Sons 2.9p
Hanson 5p
Harris (Philip) 2p
Halstead Estates 3p
Lees (John J.) 0.75p
Monks & Crane 1.3p
Moorgate Investment Trust 3.2p
Pegasus 7.825p
Sterling Publishing 1.5p
Vaux 5.25p

SATURDAY FEBRUARY 3

BOARD MEETINGS-

Finals:
Berkeley Govett

DIVIDEND & INTEREST PAYMENTS-
Treasury 8½% 1994 4.25pc

Trade fairs and exhibitions: UK

Current
British International Toy and Hobby Fair (01-701 7127) (until January 31)
Earls Court, London

January 30-February 1
Construction Industry Computer Exhibition (01-251 5885)
Barbican, London

February 4-8
International Spring fair (01-855 9201)
NEC, Birmingham

February 7-9
Undersea Defence Technology Conference and Exhibition (0892 44027)
Novotel, London

February 7-11
Scottish Boat, Caravan, Camping and Leisure Show (041-221 1769)
Exhibition and Conference Centre, Glasgow

February 13-15
Corporate *Computer* Security '90 International Exhibition and Conference (0733 60535)
Novotel, Hammersmith

February 13-15
The Property Business + Enterprise 3 (01-834 1717)
Barbican, London

February 20-22
London Food Exhibition (01-486 1951)
Wembley Centre

February 20-22
Business Communications *Exhibition* – NATIONAL CONNECT (0652 650505)
G-Mex Centre, Manchester

February 25-27
Menswear Fair – MABNORTH *(01-437 8754)*
Harrogate

February 28-March1
Northern Wine and Spirit Trade Fair (01-637 2400)
G-Mex Centre, Manchester

March 4-6
International Automotive Parts & Accessories Trade Show – AUTOPARTAC (01-302 8585)
Olympia

March 4-7
Skiing Exhibition – SKI GB (0228 41272)
NEC, Birmingham

Overseas exhibitions

February 8-14
International Toy and Hobby Fair (01-930 7251)
Nuremberg

February 9-18
International Boat Show (01-486 1951)
Helsinki

February 18-21
International Confectionary, Chocolate, Biscuit and Pastry Exhibition – INTERSUC (01-225 5566)
Paris

February 22-25
International Sports Equipment & Fashion Trade Fair – ISPO SPRING (01-940 4625)
Munich

March 10-18
International Boat Show – HISWA (01-495 7977)
Amsterdam

March 11-17
International Spring Fair (0375 392222)
Leipzig

Business and management conferences

January 31-February 1
Concorde Services: Broadcast Europe 1990 – 4th annual satllite television marketing conference (01-743 3106)
Inn on the Park, London

February 7
BCB Conference: Disaster relief *and mitigation (01-222 3651)*
QEII Conference Centre, London

February 8
The Economist: Managing service: the key to total customer satisfaction (01-976 6565)
Marriott Hotel, London

February 12-13
Financial Times: Commercial aviation in the Asia-Pacific region to the end of the century and beyond (01-925 2323)
Singapore

February 13-14
National Materials Handling *Centre: Warehouse & distribution* software conference - technology for profit (0234 750323)
Ramada Inn, West London

February 15
Design for Europe conference (01-228 8034)
QEII Conf Centre, London

February 16
CBI Conferences: Legislation behind the Social Charter *(01-379 7400)*
Centre Point, London

February 19
Technology Forum: Risk assessment techniques and fire safety (01-519 4105)
London Tara Hotel

February 20
Information for Energy Group: Oil price information (01-636 1004)
Institute of Petroleum, London

February 22
PCTS: ESOPs, share schemes, and performance related pay *for executives and employees* (01-234 0470)
Cafe Royal, London

Feberuary 22
Tolley: International tax planning conference (01-680 5682)
London Press Centre

February 22-23
Acquisitions Monthly and Bankers Trust Company: Acquiring in Europe (01-823 8740)
London Marriott Hotel

February 28-March 1
Finanacial Times Conference: Cable television and satellite *broadcasting (01-925 2323)*
Hotel Inter-Continental, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL TIMES SURVEY

The Government's reforms are set to transform the shape of health care in Britain. Alan Pike, Social Affairs Correspondent, assesses the strength of the opposition to the proposals and looks at the effects that the changes are likely to have

NHS: a new spirit lives

Contents

The police have had to step in to provide emergency services in the ambulance pay dispute; at the centre of the storm is Mr Kenneth Clarke, Health Secretary

UK Health Care

AN argument, trivial in itself but aglow with symbolism, broke out this month between Wakefield District Health Authority and the West Yorkshire town's funeral directors.

The authority intends to levy a £5 charge for measuring the bodies of people who die in hospital. Undertakers object to paying the charge, but the health authority has no qualms about levying it because it says it must take every chance to raise money and maintain patient care.

Perhaps the episode illustrates the extent to which many of the National Health Service's once-sacred cows are already in the slaughterhouse.

The Bill to reform the NHS and restructure British health care on more market-based principles is not yet law – next week a group of consultants will ask the High Court to decide whether it is legal for the Government to spend money on the implementation of the changes in advance of legislation. But the spirit of what some call business-like efficiency and others inappropriate commercialism is already alive in the NHS, so much so that even the dead have a modest part to play.

Income generation, from schemes like the Wakefield one to large trading activities, has become well-established in the NHS in recent years.

British Airport Services this month announced agreements with public health authorities to develop retailing facilities in the John Radcliffe Hospital, Oxford, and Edith Cavell Hospital, Peterborough, after similar arrangements at six other large hospitals around Britain.

Joint ventures between the public and private health sectors have become common.

In April new contracts for Britain's 32,000 general practitioners come into force. Imposed by the Government after being rejected in a ballot, the contracts will reward doctors who are most successful at attracting patients. As part of this process, the Government wants family doctors to advertise their services.

The same philosophy of extending patient choice, and directing funds towards popular and successful areas of the NHS, is contained in the National Health Service and Community Care Bill now before Parliament.

Mr Kenneth Clarke, Health Secretary, says the themes running through the Bill reflect the Government's approach to all the caring services – improved local management, better use of money and a fairer deal for users.

The campaign of opposition to the proposals, which began when they were outlined in the white paper "Working for Patients" last January, has been maintained since the Bill was published in November.

Last month the NHS Support Federation was set up to co-ordinate the activities of medical, nursing, patients' and other organisations opposed to the changes. Prof Harry Keen, its chairman, says a fear of introducing commercialism into the NHS is the central concern uniting the opposition groups.

The Bill, he says, will make the NHS "dependent on the operation of a commercial market, will drive NHS hospitals to trade primarily for their own profit rather than to meet local health needs, will replace co-operation with competition, integration with fragmentation and will undermine the standards of patient care, medical teaching and research."

Mr Clarke's proposals have provoked a sustained campaign of opposition from the British Medical Association, the medical Royal Colleges and other health groups. And the NHS Supporters Party, a political forum launched last week by a group of doctors, says it will field 50 candidates in Conservative seats at the next general election.

The opposition groups are directing their attention to Parliament in the hope of winning amendments to the Bill which, among its main features, will:

- implement what is in many ways the core reform, enabling health authorities and hospitals to enter into contracts to purchase and supply services;
- create the legal basis for some hospitals and other services to become self-governing trusts, giving them increased independence within the NHS;
- enable family doctors to apply to become fund-holding practices, purchasing health care on behalf of their patients;
- make health authorities and family practitioner committees into more managerial bodies;
- give the Audit Commission responsibility for the statutory audit of NHS accounts.

In addition, the Bill will be used to bring about the reforms in community care of the elderly and handicapped announced by the Government in November.

Social security spending on housing elderly people in private residential homes has increased from £10m to more than £1bn over the past 10 years. This money will be transferred to local authorities, which will become the co-ordinating agencies for community care and will be expected to place a greater emphasis on looking after people in their own homes where possible. At the same time, the Government says local authorities should make greater use of private sector facilities in the provision of care.

Recent polls indicate that the proposed health reforms remain unpopular with many members of the public. Opinion has been affected by the long-running ambulance dispute, which has added to the public image of the Health Secretary being in conflict with the NHS.

Although ministers have not given way on any of the central principles of the reforms, some observers detect a softer approach in the face of extensive opposition to the plans. Mr Ray Robinson, a researcher at the King's Fund Institute health care think tank, who is shortly to become director of the Office of Health Economics, concluded earlier this month that the Government was making efforts to distance its plan for an internal market in health from market models as recognised by economists.

In some cases, he suggested, "the degree of regulation will be so strong as to cast doubt upon the appropriateness of the term market at all. It may be more accurate to speak of partial deregulation of the existing system."

One of the prevailing criticisms has been the speed of the proposed changes, but Mr Clarke is determined to stick to his timetable and begin implementing them next year.

Work is going ahead in 79 hospitals and NHS institutions where staff are considering applying for self-governing status when the Bill becomes law – although more than half the hospitals which originally expressed interest in self-government have dropped out.

Health authorities, which until now have provided services directly for their populations out of funds from the Government, are preparing for the switch to a system based on negotiated contracts.

The Department of Health, assisted by consultants Deloitte, Haskins and Sells, is studying the information technology needs of district health authorities.

Last month another 20 hospitals joined the department's resource management initiative – which links computer-based clinical information to costs and involves medical staff in the management of resources. Many more will join this year. Adequate information and management systems are crucial to the success of the Government's proposals.

Britain's private health sector managers are interested spectators of the preparations for the biggest changes in the delivery of health care in modern times. Private hospitals, like NHS ones, will be able to bid for contracts under the new system: some are likely to see substantial increases in their NHS work as a result.

The British United Provident Association (Bupa), Britain's biggest health insurance organisation, is developing into a total private health care organisation, offering a wide range of insurance, treatment and preventive services.

Its growth strategy has, however, led to an investigation by the Monopolies and Mergers Commission into whether there is potential conflict between Bupa's roles as an insurer and a private hospital operator. AMI Healthcare, another large hospital operator, is on the market following a decision by its US parent to sell its majority holding.

The proposed NHS reforms have diverted public attention from some other leading themes in health care, but these will stay on the agenda during the 1990s. Britain is no exception to the rule that health costs are rising throughout the Western world. So are public expectations, as people adopt a more consumer-oriented view of health care.

These factors will not only guarantee a continuing drive to make the delivery and management of health care more efficient, but will place growing emphasis on the particularly cost-effective solution of encouraging people to adopt lifestyles which help them to stay healthy.

Alan Pike looks at the likely impact of the recent Government reforms on the private sector

Uncertain effects of a blood transfusion

EVEN WITHOUT the challenges and opportunities presented by the Government's reforms, the private health sector is going through one of its most interesting phases for many years.

- Bupa, the provident association which is Britain's largest private health care organisation, is under investigation by the Monopolies and Mergers Commission.
- American Medical International is seeking a buyer for its 65 per cent holding in the British AMI Healthcare Group, Bupa's main commercial rival.
- Hospital Corporation of America (HCA) withdrew from the UK last year, selling its 10 UK hospitals and seven nursing homes to Bupa in a £92m deal.

It was Bupa's purchase of the HCA hospitals which led to Mr Nicholas Ridley, Trade and Industry Secretary, accepting a recommendation from the Director-General of Fair Trading that there should be a Monopolies Commission investigation.

The HCA acquisition gives Bupa ownership or control of 30 hospitals with a total of 1,563 beds – making it the nation's largest private hospital operator, although AMI and the charitable Nuffield Hospitals both come close behind.

But Bupa is also, by far, the biggest private health insurance organisation in Britain. It has about 60 per cent of the 5.5m-strong insurance market.

The commission will try to determine whether Bupa's dominant position in the insurance market, allied to its growing strength as a hospital operator, could have an adverse effect on the ability of other private hospitals to set fair rates. In its insurance capacity, Bupa negotiates with rival hospital operators and publishes lists of those in which Bupa insurance is guaranteed to meet all fees.

Bupa's purchase of the HCA hospitals formed part of a strategy to establish a network of good quality private hospitals throughout the country. Potential customers are more likely to take out health insurance if there is a private hospital in their locality.

This, in turn, was part of a wider strategy to develop Bupa into a total private health care organisation. As well as its insurance and hospital services, the association has expanded its services in medical screening, care of the elderly, occupational health and agency nursing. It has also shown interest in expanding overseas, and in 1988 acquired 98 per cent of Sanitas, the leading Spanish insurance and health care company.

American Medical International's decision to seek a buyer for the British AMI Healthcare group offers a new owner the chance to control some of London's most famous private hospitals – including the Harley Street Clinic and the Portland – among a total of 18 acute and psychiatric hospitals around the country. The group is involved in a number of other related activities, including occupational health and laboratory services.

American Medical International, which is pulling out of Britain to concentrate on its US activities, has engaged CS First Boston to sell its shareholding and SG Warburg is acting as independent adviser to AMI Healthcare. An announcement about progress on the sale is likely next month.

Britain has more than 200 private hospitals, and in 1987 the independent acute sector had an estimated turnover of £900m including £300m in consultants' fees.

The dominant question in the sector concerns the extent to which it will be affected by the proposed NHS reforms. It is the Government's intention that private hospitals should tender for work under the contract-based system contained in the reform proposals now before Parliament, and this is certain to increase the amount of NHS work carried out by some independent hospitals.

But the new freedoms which NHS hospitals, particularly those which become self-governing trusts, will have to maximise their earnings will generate more competition for the private sector.

The Independent Hospitals Association expects that some private hospitals will devote their services entirely to NHS patients, while others will do the opposite and concentrate on high-quality services for private patients. It believes most, however, will retain a mixed clientele, possibly developing some multi-bedded rooms to help cater for NHS patients at a competitive cost. Private rooms could then be made available to NHS patients willing to pay an amenity charge, as will be the case in some NHS hospitals.

Dr Marvin Goldberg, managing director of AMI Healthcare, expects that the effect of the Government's reforms on the private sector – at least initially – is likely to prove neutral. He believes demand for private medical facilities in Britain will continue to grow as consumers, used to greater choice and convenience in other aspects of their lives, seek it in health care as well.

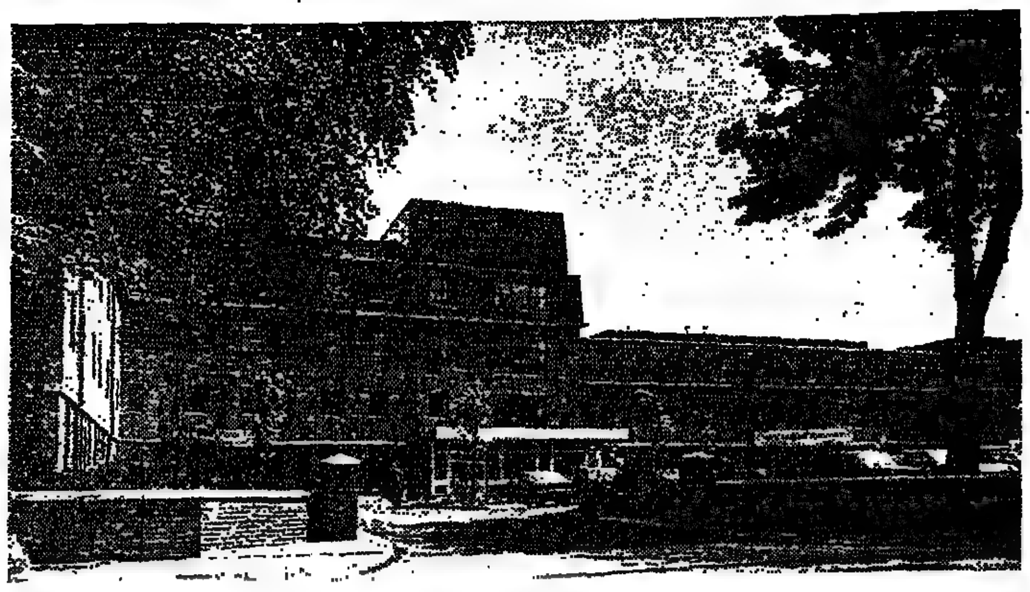
This view is shared by Mr Bob Graham, chief executive of Bupa, who sees other outlets for leisure spending, such as the travel and entertainments industries, as the private health care sector's main competitors as it bids for market growth.

Such growth depends greatly on the fortunes of private health insurance. Most private patients entering independent hospitals are financed through insurance schemes, often provided by their employers – 57 per cent of the 3.5m people insured by Bupa are in company-paid schemes.

Much of the recent growth in the insurance market has been among smaller, often high-tech, companies offering health insurance as part of benefits packages for employees. The insurance sector is hoping that such packages will become commonplace as demographic changes during the 1990s make it more difficult for companies to attract and retain staff.

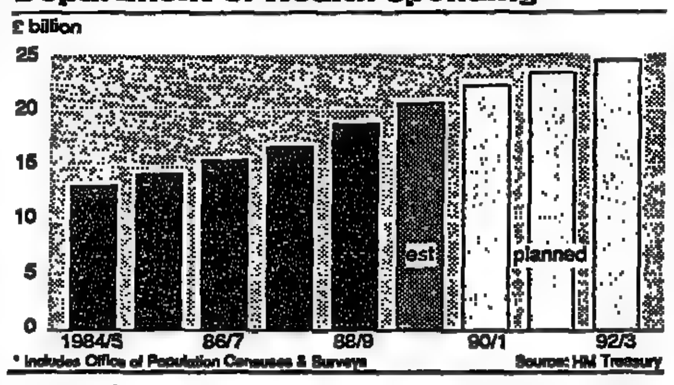
In the immediate future, the insurance sector is guaranteed some growth through the Government's decision to allow tax relief on private health insurance premiums for the elderly. This will come into force in April.

At present 600,000 people aged 60 and above are covered by private medical insurance – only 5 per cent of the age group. Estimates in the industry suggest that the provision of tax relief may double the number of elderly people insured. The relief will cost the Exchequer £40m in 1990-91, but this will grow in future years if the scheme is successful in persuading more elderly people to take out insurance.



AMI's Harley Street Clinic in London's West End (left) and (above) the 93-bed Bupa Hospital in Manchester, where each room has colour TV, telephone and bathroom

Department of Health spending*



* Includes Office of Population Censuses & Surveys

Source: HM Treasury

HOSPITAL BEDS (per 100,000 population)

1988 numbers by Region	Independent beds	NHS acute beds
Northern	5	307
Trent	10	253
W Midlands	14	254
S Western	15	272
Mersey	15	276
N Western	15	303
Yorkshire	16	292
E Anglia	17	262
Oxford	19	211
Wessex	20	237
SW Thames	30	228
SE Thames	30	268
NW Thames	36	229
NE Thames	44	296

Source: National Audit Office

INFORMATION TECHNOLOGY

Computers open door to patients

THE GOVERNMENT's plans to computerise the National Health Service represent one of the most far-reaching information technology projects in the world.

The ultimate aim is to put all patient records and management information on computer, and give every doctor, health professional and administrator immediate access to the information he or she needs, by means of a huge NHS data network.

"Information is the lifeblood of the NHS," said Mr Roger Freeman, the junior Health Minister, when he unveiled the health service's information technology (IT) strategy earlier this month. IT would enable doctors, patients and health service managers to make the "informed choices" which were an essential part of the Government's plans for NHS in the 1990s, as laid out in last year's White Paper "Working for Patients." For example, computerised information about waiting lists would tell GPs to which hospitals they should refer patients for specialist treatment.

Until now, NHS expenditure on IT – £130m in 1988-89 or 1 per cent of total spending – has been low by comparison with other countries and other industries. According to the Department of Health, 6 per cent of US health care expenditure is devoted to IT and the European average is 2 to 3 per cent. Banking, another service industry, spends 6 per cent of turnover on IT.

The Government will give the NHS an extra £127m to spend on IT in 1990-91. The additional funds include £78m for "resource management" by health authorities, £25m for "hospital information support systems" and £24m for GPs to buy computers.

Even so, the development of IT in the NHS will inevitably be based on computers already in use – and unfortunately these include a significant number of expensive and incompatible systems, which have been custom-built for individual health authorities. "An immediate and overwhelming priority is to get existing systems working well," Mr Freeman says.

Making these systems and new computers work together will require extensive development of standard software and the building of a communications infrastructure. As a first step towards an NHS data network, the Health Department is negotiating with Racal, the UK telecommunications company, to set up the network for a Family Practitioner Service.

By April 1991, this network will connect local family practitioner committees with the NHS Central Register at Southport. After that, individual GPs will be able to connect their surgery computers to the network. The long-term plan is for it to be extended to hospitals and elsewhere, so that everyone in NHS can exchange medical, financial and administrative information – subject, of course, to safeguards about patient confidentiality.

According to estimates by the Department of Health and IT suppliers, between 2,500 and 3,000 of Britain's 10,000 general practices now have computers, and the total is expected to reach 6,000 in 1991. Any practice buying a computer can reclaim half of the capital and maintenance costs from the department.

The existing base of GP computers is due mainly to two companies, AAH Meditel and Vamp Health, each of which has given away 1,000 systems in return for the right to sell "anonymised" information to the pharmaceutical industry about the doctors' prescribing patterns and their patients' diseases. These free schemes are now fully subscribed (apart from a few gaps in parts of Scotland) but their commercial future is uncertain because of doubts which have arisen about the ownership of personal health information.

Legal experts have told the Department of Health that patient information belongs to family practitioner committees, not the GP, and that its sale to commercial ventures may be unauthorised use of confidential information. The department expects to issue new guidelines next month to "clarify the question of ownership and the circumstances under which personal health information may be disclosed."

Some statisticians have also questioned the value of doing post-marketing surveillance (PMS) of drugs on the AAH Meditel and Vamp systems. Even though each draws information from a group of 5m patients, this would not be enough to pick up rare adverse reactions against drugs.

"It is far from clear why a drug firm should pay for PMS that could do so little to protect the public from risk," said a recent anonymous editorial in The Lancet. However, AAH Meditel and Vamp have each signed a £0.5m PMS contract with an international pharmaceutical company and both remain confident about their commercial future.

Clive Cookson

Recognition for assistants

A NEW group of NHS staff – health care assistants – will begin work in the service in the summer, writes Alan Pike.

Their task will be to assist with patient care, allowing more highly qualified staff to concentrate on those activities for which their qualifications are essential. The introduction of care assistants is intended to help the NHS continue meeting its staffing needs at a time when demographic changes will make the recruitment of nurses and other qualified grades of staff more difficult.

A vocational training scheme is being developed for care assistants, and it is intended that some should be able to progress through their vocational qualifications to professional training.

Mr Duncan Nichol, NHS chief executive, says that although there is already a wide range of staff carrying out support tasks, this will be the first time their skills and training requirements have been identified in a systematic way.

The Department of Health is, meanwhile, engaged in a campaign to attract former nurses back to the profession. It is contributing £100,000 towards an Open College initiative to develop a television-based course to help former nurses update their skills and prepare to return.

It is believed that up to 85,000 former nurses might be willing to return to work, particularly if they were offered flexible arrangements which enabled them to cope with family commitments.

Alan Pike looks at the private sector's psychiatric role

Where businessmen can be given burn-out treatment

"THE OLD me exhibited supreme confidence and knowledgeable experience, used to thrive under pressure and did the work of two men, taking short lunch breaks and working a lot of overtime.

"Now I feel a sort of general nervousness, with a feeling that if anybody said or did something to upset me I would be likely to erupt like a seething volcano. I have a couldn't-care-less attitude towards what other people might think of me and a deep desire to be left alone.

"My self-confidence has been shattered and I no longer feel capable of handling anything that is thrown at me. I have lost interest and enthusiasm. I feel disillusion, resentment and despair. A great lethargy and depression, like a dark cloud, hangs over my head. I feel squeezed dry."

Dr Desmond Kelly, medical director of the Priory psychiatric hospital, relates the symptoms as described by one of his patients.

The patient, who works in industry is, says Dr Kelly, suffering from burn-out. This is a condition which develops when someone works too hard for too long in a high-pressure environment. It leaves the sufferer feeling exhausted on all levels, physical and emotional.

Burn-out can strike at any age. One of the consequences of the increasingly high-pressure workstyles and lifestyles which have developed in the City of London since deregulation is that specialists are seeing victims at increasingly early ages.

Burn-out can strike at any age: the victims are getting younger

Dr Kelly, president of the International Stress and Tension Control Society, says the physical symptoms of burn-out include fatigue, sleeplessness, headache and backache, weight changes and lingering colds. Sufferers feel depressed, restless and bored. They will become irritable and fault-finding. Alcohol or drug dependence are likely.

Particularly productive and competitive people, who set themselves targets which are high but become unrealistic, are the most probable victims.

Business people receiving treatment for burn-out, depression, alcohol problems and other stress-related conditions at the six hospitals in the Priory group, Britain's largest provider of private acute psychiatric care, may not accord with some conventional images of industrial illness. But these conditions frequently stem from pressures in the patients' working lives, and they generate vast amounts of lost productivity each year.

The Priory Hospital in Roehampton, London – the largest private psychiatric hospital in the capital – includes anxiety and stress management among its facilities. Treatment begins by examining the particular stresses in an individual's life and his or her ability to cope with them.

Training in relaxation and meditation techniques and in decision-making skills, problem-solving strategies and time management are included in the therapy.

Although most of Britain's psychiatric treatment is provided within the NHS, private facilities are regarded as a potential growth area as the independent sector seeks to develop new market niches.

The Priory has six consultant psychiatrists among its staff.

It is accredited for training purposes by the Royal College of Psychiatrists, the Royal College of General Practitioners and the English National Board for Nurse Training, and provides training for doctors from the Charing Cross and University College Hospital NHS medical schools.

The Priory helps train doctors from NHS medical schools

Dr Kelly hopes that the Government's proposed health reforms will leads to closer working between the public and private sectors in the psychiatric field. In addition to its involvement with the NHS in training, the Priory has already had some experience of this work. In 1987-88 it admitted 66 of Camberwell Health District's most severely ill patients, treating them in the same surroundings as its private ones.

OCCUPATIONAL SCHEMES

Corporate well-being

ABSENCE DUE to stress costs industry an estimated 10 times more than industrial disputes, a recent conference organised by the Confederation of British Industry was told by Mr Tom Cox, professor of organisational psychology at Nottingham University.

Research like this, coupled with new legislation such as the Control of Substances Hazardous to Health Regulations 1988 (COSHH), is fuelling a sea-change in the attitude of British employers towards occupational health.

The change still has far to go – research by Mori shows that there is a great lack of understanding among company directors about what occupational health actually involves. As with training, it is a problem left for personnel directors rather than the boardroom.

However, as the costs, and the potential savings, become more apparent, so the initiatives are becoming more diverse. On the one hand, there are preventive health care schemes. These range from the exclusive – such as the new Esprite Leisure Health Club in the City which, when it opens in September, will offer members facilities from swimming pools to stress counselling – to health care provisions for all the workforce, such as that announced in a new scheme launched by Lucas Industries earlier this week.

A secondary area of interest to companies is that it is becoming increasingly apparent that a benefit of retraining and career development can be a reduction in stress.

Lucas Industries, the aerospace and automotive group, in what must be one of the most progressive and comprehensive occupational health schemes offered by a British company, is providing a scheme called Lucas Care, open to all its 31,000 staff.

Intended to complement current National Health treatment, the scheme will be run by specially trained occupational health staff, who will provide and promote preventive health care through education and screening.

Three areas have been targeted initially: cardiovascular disease, cancer and stress through three programmes called "Staying Healthy," "Avoiding Cancer" and "Reducing Stress."

Structured programmes will include diet advice, exercise and, in some cases, counselling. Regular screening will be available to identify the risks from blood pressure, smoking and weight.

Dr Mike McKiernan, Lucas's chief medical officer, says: "People are more health-conscious now than ever before. The Lucas health scheme seeks to develop this awareness to the stage where participants can actively improve their health, as well as greatly reduce the risk of developing serious illness."

With specialist assistance, Lucas has, developed its own scheme but many companies buy in the services of private health care providers such as Bupa and AMI Healthcare, the largest private health care groups in Britain. In addition to these two large providers of occupational health schemes are a host of smaller companies – such as City Health Care in the City of London.

Bupa Occupational Health operates 10 health centres around the country with another seven planned.

The centres seek to offer a complete advisory and assessment service, ranging from consultancy services, surveillance and health assessment for employees, stress management, occupational psychology, occupational hygiene and management of absenteeism related to sickness.

Bupa Occupational Health says: "The service offered is designed to meet contemporary problems in commerce and industry. The EC directive on noise, the UK Control of Substances Hazardous to Health Regulations and the ILO convention and recommendation on occupational health are leading businesses of all sizes to focus their attention to the well-being of their workforces. Bupa will advise companies that may be unsure of their current obligations and how to meet them."

More than 360m days were lost each year through sickness absence. Yet an Industrial Society survey showed that most companies were totally uninterested in analysing their sickness absence records for variables such as region, jobs, male and female differences. "For them absenteeism is an act of God about which they feel they can do nothing," says Bupa.

Analysis of data can reveal much about the problems of the workforce. One DIY group, for example, believes that much of its female workers' absenteeism is related to their problems over child care – with mothers telling their employers they are ill when in fact it is their children who are sick. Closer attention to the problems of such women could help cut their absenteeism.

It is this latter area, at a time when demographic change is forcing change on the recruitment policies of British companies, where closer attention to working practices could have a positive impact on occupational health.

Lisa Wood

New benefits for the disabled

Age charity 'appalled'

WIDESPREAD CRITICISM has followed a Government announcement this month of proposals for improving the system of social security benefits for disabled people.

The announcement followed the most comprehensive study of disability ever conducted in Britain carried out over a lengthy period by the Office of Population Censuses and Surveys.

Mr Tony Newton, Social Security Secretary, says the Government's plans, which will bring extra help to some 850,000 people at a cost of £300m by 1993, show its "firm commitment to improving the quality of life for Britain's disabled people."

Charities and other groups representing the disabled say the proposals are a wholly inadequate response to the OPCS research, which showed that there are 6.2m disabled adults in Britain – twice as many as previous estimates had indicated – and 360,000 disabled children.

The Government's package will introduce a new Disability Allowance for people of working age and below to give improved help with the extra costs arising from disability, and a Disability Employment Credit designed to help disabled people to take up jobs.

These changes reflect three main strategic needs identified by the Government from the OPCS findings: to improve help for disabled people below pensionable age, to improve the balance of benefits for those unable to work – particularly people disabled from birth or early in life – and to make it easier for disabled people to take up jobs.

According to the OPCS research, only 31 per cent of Britain's disabled adults of working age are in paid employment, compared with 69 per cent of the general population, and three-quarters of disabled adults living in private households rely on state benefits as their main source of income.

Disability groups say the extra £300m which the programme will eventually cost falls far short of meeting the level of need identified in the OPCS studies. There is particular concern about the impact which the package will have on older people, who comprise the majority of the disabled.

Ms Sally Greengross, director of Age Concern, has written to Mr Newton to say the charity is "appalled and dismayed" that the Government has produced no proposals to improve the financial position of any of Britain's 4.2m disabled pensioners.

Age Concern, she says, finds it "incomprehensible" that the Government has concluded that no extra help is necessary because the difference in incomes between disabled and non-disabled pensioners is comparatively small. The OPCS report, she points out, said that this was because pensioners were largely dependent on state benefits, and had on average lower incomes than non-pensioners.

Alan Pike

Inventor Robert Hester, demonstrating the versatility of the Mobility 2000 wheelchair in London last summer. The wheelchair, which took him five years to develop, has given disabled adults the chance to return to their work and disabled children the opportunity to go to the same schools as their able-bodied friends

Patients' turnover

MANY MORE people who until recently would have had to be admitted to hospital are being treated as day cases and sent home, writes Alan Pike.

There was a 15 per cent increase in day cases treated in the NHS last year, while the number of in-patients remained unchanged at around 6.6m.

Hospital activity statistics for 1988-89 published this month show a 5 per cent fall in the average number of beds available daily, from 297,000 to 283,000. But throughput increased slightly, from 22 to 23 in-patient cases per bed per year.

UK HEALTH CARE 4

Alan Pike looks at the aims of an all-embracing campaign

Wales is given an ambitious target

ONE of the most ambitious health promotion exercises ever attempted in Britain was launched in Wales this month.

Iechyd i Bawb yng Nghymru – Health for All in Wales – aims to involve all sections of the community in a planned campaign to bring the principality's health performance in line with the best in Europe by the 21st century.

Although Wales has been the location of other recent successful health promotion initiatives, its levels of premature death remain higher than those in many parts of the UK.

This month's publication of the Health for All in Wales strategy will be followed by a six-month planning period during which the Health Promotion Authority for Wales will consult the community and enlist the support of as many other organisations as possible. These will include community leaders, teachers, local authorities, employers, trade unions and the media as well as health professionals and individuals.

In the autumn a plan for action, setting out a full programme to improve health standards in the principality, will be published. There will be four strategic aims to the campaign:

Disease prevention: adding "years to life and life to years" for the people of Wales, by reducing the incidence and impact of disease, disability and premature death. This will include focusing on cardiovascular diseases, cancers, injuries, maternal and child health, respiratory diseases, sexual health, mental distress and illness, physical disability and handicap and dental and oral health.

Healthy lifestyles: encouraging physical exercise and good diet, and attacking such problems as smoking, alcohol and drugs, stress and violent behaviour.

Health skills: helping people to gain knowledge and skills which will enable them to live healthier lives.

Healthy environments: improving those aspects of the quality of life which have an impact on health, ranging across the family and community, the workplace, housing and the natural environment.

The strategy contains a large number of specific targets related to the four overall aims. These are generally in line with those contained in the World Health Organisation's current drive to raise health standards throughout the world by the year 2000, adapted to the particular circumstances of Wales.

One of the WHO targets, for example, is a 15 per cent reduction in early deaths from heart disease, stroke and cancer. Achieving this in Wales would save more than 600 lives a year among 45-64 year olds.

Other targets will include:

- reducing the percentage of unintended pregnancies – 22 per cent in 1985 – to 20 per cent by 1993, 18 per cent by 1995 and 15 per cent by 2000;
- cutting the proportion of 15 and 16 year olds who smoke by 10 per cent during the next three years, 15 per cent by 1995 and 30 per cent by 2000;
- reducing the 44 per cent of the population currently classified as overweight to 40 per cent by 1993, 35 per cent by 1993 and 30 per cent by 2000;
- increasing the proportion of 18-64 year olds trained in basic first aid – currently around 18 per cent – to 30 per cent by 1993 and 40 per cent by 2000;
- reducing the percentage of homes without basic amenities to 2 per cent by 1995 and 1 per cent by 2000. In 1986 the figure was 4 per cent, although in the worst-affected parts of South Wales 11 per cent of homes are still without hot water and indoor toilet facilities.

Health for All in Wales follows another health promotion campaign – Heartbeat Wales – which has, says the Health Promotion Authority, produced "impressive changes for the better" in many people's lifestyles.

The percentage of smokers has shown a sharper fall in Wales than in other parts of the UK during recent years, while there has been a growing trend towards healthier eating – the proportion of people drinking skimmed or semi-skimmed milk rose from 16 to 33 per cent between 1985 and 1988, while those eating salads and green vegetables most days increased from 25 to 45 per cent. More people became active during the three years – men exercising at least twice a week rose from 43 to 47 per cent, and women from 20 to 24 per cent.

Ebbw Vale: In parts of Wales many homes are still without hot water and indoor toilet facilities

REPATRIATION SERVICES

Sick stories from foreign parts

HELP FOR holidaymakers and company executives needing medical assistance anywhere in the world is now available round the clock every day of the year. Specialist organisations are retained by almost major insurance companies to provide 24-hour assistance whenever, and wherever, it is needed and can vary from finding a local doctor who can treat a sudden infection to flying people home in specially-equipped air ambulances.

Leaders in the field include Europ Assistance, Trans-Care International, Mondial Assistance, Centurion Assistance and Gesa Assistance. All are in business to provide help to those injured, whether travelling on business or pleasure, with recognised insurers such as Legal & General, General Accident, Norwich Union, Cornhill, the AA, American Express and International SOS Assistance.

With British companies sending an estimated 4m executives and staff overseas each year, the risks of sickness, accidents or natural disasters are frighteningly high. Often the worst happens in the most distant places, with the nearest medical unit hundreds of miles away.

Where once the telephone reigned supreme, now computers, telex and fax provide the instant assistance that can mean the difference between life and death, the success or failure to win a contract. Modern telecommunications, computerised data banks, plus emergency medical equipment, all strategically placed, combine to guarantee the quickest possible response to an SOS.

Sitting in the "OPs room" of some of these round-the-clock emergency services is like being transported back in time to an RAF fighter command station during the Battle of Britain. Wall maps are covered with markers showing the latest crisis spots, while clocks disclose the local time in a score of time zones. Everyone on duty is alert and ready to organise hospital beds, move medical assistance or despatch ground and air ambulances.

In one year Trans-Care International provided cover for 7m men and women and dealt with almost 5,000 emergencies, some as far away as Australia, others in the remote regions of Zambia. A holidaymaker who collapsed with a twisted bowel on a hiking trip in the Himalayas fortunately carried his emergency card in his rucksack with Trans-Care's phone number. A local "May Day" soon had him on the way to hospital.

UK business people regard every continent as an oyster waiting to be opened

At Europ Assistance officials remember being contacted by Rolls-Royce, when one of its employees had been been taken to a clinic in Port Harcourt, suffering from a fractured pelvis. The company wanted an air ambulance to bring him home. Two days later, a Swissair Lear jet 35, with a Swiss doctor and nurse on board, touched down in Scotland and the patient was transferred to a local hospital.

Mr Bob White, chairman of Business Travel Team of Haywards, one of the leading incentive travel companies in the UK, had a crisis on his hands when a British salesman, employed by a German car company, who went on an incentive trip to the Don Carlos hotel on Spain's Costa del Sol, collapsed after playing a friendly game of football.

He was seen by a local doctor who, fearing a clot on the brain rushed him to hospital. Meanwhile, Mr White contacted Europ Assistance, with which he always takes out full cover for his clients. Within an hour, a representative joined him at the hospital. The agent told Mr White to return to the hotel to look after the rest of the sales group. He remained at the hospital to liaise with the doctors and decide when, and if, the patient should be flown home.

Mrs Barbara White was also grateful for the speed at which Europ Assistance reacted to an emergency. She fell and broke her leg while skiing in Switzerland. Twenty-four hours later, she was in hospital in England, having been airlifted off the mountain by helicopter and flown back to the UK with a trained nurse in attendance.

Rega, the Swiss air rescue service, is among the most efficient in the world. Although it provides round-the-clock service throughout the year, it does not ask for any guarantee of payment from those it helps. Rega has agreements with insurance companies all over the world and co-operates closely with the Red Cross, the Swiss Association of Rescue Dogs, the AA and the RAC. It estimates that it flies nearly 1,000 mercy missions of every kind, mostly in Europe, every year.

Because British business people – as well as holidaymakers – now regard every continent as an oyster waiting to be opened, there are now as many SOS calls from long-haul destinations as from Europe.

How do the services operate? As well as being on duty 24 hours everyday throughout the year, they employ multi-lingual control room staff. Considerable thought is given to which languages are most likely to be needed, and when. For example, more men and women who speak Spanish are employed during the summer holiday months, while German and French are likely to be more in demand during the ski season. Japanese speakers are increasingly in demand for international businessmen.

According to Gesa Assistance of Leatherhead, Surrey, "we quickly learned that for those on holidays, as well as company executives, any language barrier can quickly add to the stress of a simple medical situation. Medical assistance, however, is not restricted to providing help for a patient abroad. It often means looking after the whole family and arranging alternative accommodation or transportation."

All the major international assistance organisations such as Gesa, now 30 years old, have reached maturity in the last decade and now have representatives in most overseas countries or regions. Communication of an incident usually begins with a call from the client, friend or relative to the UK emergency number which is provided on the travel document. At Gesa, as soon as it has recorded relevant details, a range of facilities is activated aimed at bringing assistance to where it is needed, now.

When there is an emergency, cost plays no part in deciding what to do

When anyone is taken to hospital, an agent is asked to call to check on the treatment being given. If it is not considered up to standard, arrangements can be made to fly the patient to a better-equipped hospital, or back to Britain.

Money can also be a problem. In some overseas hospitals the ability to pay has to be proved before treatment can be obtained. The assistance organisations know how to iron out such problems at the outset. This includes calling in their own doctors in each major territory "as a protection against over-enthusiastic billing."

Most people are under the impression that the majority of the work of the emergency organisations consists of mobilising hundreds of air ambulances with flying doctors and nurses on board. But, in fact, far more calls involve routine emergencies, to make sure a policy-holder in trouble receives the best and quickest medical attention whenever, and wherever, it is required.

Decisions are taken only after careful assessments, including the patient's physical and mental state, the quality of the local medical service, the likely length of treatment and the wishes of the company and/or family. Cost plays no part in deciding what to do.

What was originally a small operation aimed at aiding those injured on Swiss mountains has expanded into a worldwide service, with tentacles stretching into the remotest regions. Yet it remains a concept that is still not fully understood.

How many know that legal assistance is also available while, for business executives, help can be given when travel is disrupted or luggage or samples are lost? The motto of all the assistance organisations is: "Do it now." In an emergency – whether medical or not – nothing is more important.

Moss Murray

Chemists stay out in front

RETAIL SALES of consumer health care products continue to be dominated by chemists in spite of the availability of many over-the-counter products in grocers, drugstores and elsewhere, a Mintel special report on consumer health care shows.

Chemist's shop sales account for sales of 70 per cent of freely available medicines by value, with Boots alone taking a 30 per cent share.

The traditional chemist's shop, says the report, has the advantage of a wider product range. Mintel found that more than 75 per cent of respondents in a survey believed that pharmacists were as effective as doctors in providing advice and treatment.

Recent volume growth in over-the-counter pharmaceuticals, says the report, is primarily due to increased sales of vitamins and supplements and cold and flu treatments. Trends in the NHS towards patients spending shorter stays in hospital have generated some additional demand for self-medication. **Alan Pike**

ARCHITECTURE

New villages need careful planning

The quality of our surroundings is being eroded, says Colin Amery

Official estimates suggest that there will be a need for some *570,000 new dwellings* in the south-east of England by the end of the century. This means in the next 10 years.

The recent decision by the Secretary of State for the Environment to refuse planning permission for the *new town of Foxley Wood in Hampshire* has thrown the discussion about self-contained new settlements into something of a turmoil. It is hard to say whether Chris Patten was right or wrong in the particular case of Foxley Wood. However, what is entirely clear is that his *refusal to grant planning* consent has simply stored up more problems for the future.

The great problem for architects and planners in the 1990s will be the nature of new communities. It used to be said that the purpose of the new town programme was to house population increase. However, the natural increase of the present British population is very low and the question has to be asked: Is there any need at all for any new settlements?

The answer is that the need exists for considerable improvement in the quality of our surroundings, whether old or new. Thus new settlements are urgently needed which will demonstrate the positive possibilities for an improved environment for the largest possible numbers of people.

Much of the decline of environmental quality in our lives comes not from the actual quality of towns, suburbs or villages, but from the miserable nature of so many of the spaces in between. As we become incessantly mobile, shouldn't we be looking at the almost taboo subject of the "car driven world"? It is hard to find many areas which are not within more or less constant earshot of the whoosh of the motorway. There is also that decline of the difference between night and day; one's sleeping hours *are spent in a dim orange glow of* sodium lights. And how tragic it is that so little "edge" remains, clearly marking the difference between town and country. Most towns dissolve into that nether-nether land of garages, car-washes and DIY sheds. Will this be *the kind of world that will greet* drivers emerging from the Channel Tunnel?

One of the answers to endless sprawl — and a currently fashionable idea — is to build new villages. These are mainly promoted by private developers and, in a recent survey (Town and Country Planning November 1989), there were some 59 new village-type *settlements* at various stages in the elaborate network of planning pipelines. Of these, only five are currently being built and many more are awaiting the results of planning appeals or have had their appeals dismissed.

The five going ahead are: Chafford Hundred in Essex, a settlement for 8,000 people; Delamere Park, some 430 dwellings *on 100 Cheshire acres* near Northwich; Haydon near Swindon, where up to 10,000 dwellings are being built on 1500 acres; and 500 dwellings are being built in the *new settlement* of Tircoed near Swansea. The fifth scheme is on Health Authority land at Shenley Park in Hertfordshire, which includes workspaces as well as some 900 dwellings.

One of the more controversial, but at the same time more interesting, schemes that has recently gone through the processes of a public inquiry and is awaiting the result is the proposed new village of Upper Donnington in Berkshire. It is being promoted by the landowner James Gladstone.

With his architect John Simpson Mr Gladstone has proposed that the 300 homes should be erected in a classical Georgian style in a neat plan around a market hall. The site is just three miles from junction 13 of the M4 on a rural site, but in fact is 400 yards from Donnington, which is a suburb of Newbury. It is a sensitive site and it must be said that the owner and the architect have done a great deal towards ensuring that the new village is attractive and acceptable.

Whether or not it is the best site has certainly been much debated, but the design and the layout and the provision of open space are all worth encouraging.

It is fashionable to criticise new settlements *that look like old ones. This* is one of the problems faced by the Duchy of Cornwall in its scheme planned by Mr Leon Krier at Dorchester in Dorset. Why should Dorset be the right place for something that may look like an Italian hill town, one *might ask? This is to misunderstand* the proposals. The point of Dorchester and Upper Donnington is that they have elements of self-containment; they have been planned to look beautiful in entirely acceptable ways; and they have coherent master plans *which go way beyond the "planning"* that arises from following regulations and and adapting existing house types.

Dorchester is the most radical proposal and it attempts to achieve a density that will ensure that it is *an almost self-contained extension to* the town with an edge, not a continuation of the sprawl of housing estates.

It is often considered smart to say that people in Britain like sprawl. As an island nation there has historically *been little need for many fortified* and walled towns. "Prairie planning" was the jibe levelled by architects at the apparently sprawling British new towns after the war — despite the fact that they provided as many individual houses and gardens as possible.

There is room for some carefully conceived and planned new settlements and it is time that planning judgments took account of the architectural quality of new proposals. "Good architecture cannot make up *for bad planning,"* summed up many of the countryside conservationist objections to Upper Donnington. But they are wrong. Good architecture helps a great deal.

And where are the conservationists when more and more pathetically *designed speculative houses are added* to our small towns and villages? As the artificial stone and universal stained timber windows and doors spread everywhere the conservationists have been strangely silent. They shout for the countryside but you *never hear them calling for the demolition* of Slough.

The best way forward would be to allow the construction of a a few good planned settlements, provided that quality of architectural detail is considered an essential prerequisite of any planning consent.

Something to enchant the eye and add something to the Berkshire countryside: John Simpson's design for the new village of Upper Donnington

Britannicus

CRUCIBLE, SHEFFIELD

Offstage screams are heard behind the grafitti-marred concrete wall of Nero's palace; but Racine begins, not with horrors, but an argument between Agrippina (*Paola Dionisotti*), Nero's mother, and her confidante Albina. Albina (Jan Carey) is angry at Nero's discourtesy to his mother; but Agrippina's worry is that Nero has seized Junia, Britannicus's betrothed.

Sympathy for the young couple is not her motive, but the belief that with the loyalty of Britannicus she can regain her former power. Britannicus is to replace Nero as Emperor. As Claudius's son, he was indeed favoured for that honour until Agrippina persuaded Claudius to adopt her own son Nero. Although there is competition between the two young men (Britannicus was only 14) for *the love of Junia*, the play is not romantic but political.

Nero's love for Junia, he tells Narcisse, Britannicus's evil tutor, was instant and for ever. Junia (Annabelle Apsion), when we see her, still wears the simple dress that so pleased him. Young Nero (Jamie Newall) appears pleasant, his rule generally approved,; but as the play proceeds we see more clearly how false this is. When his adviser Burrhus asks why Britannicus must die, he answers with a key-line, "My honour, love, security, my life!"

Narcisse poisons Britannicus at a banquet. Junia, appalled, runs off to join the Vestal virgins. Nero and Narcisse follow. When Narcisse tries to stop her, he is torn to pieces by the mob. This is related, not shown; Racine kept the stage for argument, not for action, though David Fielding's direction veers often towards melodrama. Fielding is also the designer.

The first act (Racine's first three) is played against a bare grey wall with two doorways and a staircase, half-hidden so Nero can hear, and see, a vital talk between Britannicus and *Junia, in which Junia is forbidden even to look friendly.* There is little furniture, a chair and a black-leather sofa; a broken statue of Claudius on the ground, a symbolical pile of Roman remains at one exit. After the interval we are in a friendlier room with a red wall disfigured by a great damp-stain.

The company do not look happy with the big spaces of the scenes, or the resonance from *those great walls. Nero's* set-up scene between Britannicus and Junia lacks the vital intimacy. Miss Dionisotti is a real Agrippina, ranting handsomely in her middle-age, still testing maternal discipline on *her son. The imperial purple* (correctly, scarlet in Nicky Gilbrand's costumes) suits her well. But a crucial speech, where she offers to admit all her crimes if Britannicus is recognised as true heir, is spoken running up the staircase, and the fundamental word poison — *poison même*, Racine wrote — is lost. In general, Sian Evans's new translation into free pentameters sounds well.

Guy Scantlebury's Britannicus might be a great strapping teenager, and his Junia is a fair match, though her Augustan descent might have given her more dignity. Newall's Nero seems little older than his rival. He delights in touching people, either in embrace or with his hands round their throats. James Smith's Burrhus is vaguely ecclesiastical. Narcisse, the devoted specialist in temptation, is smooth and creepy in Michael Jenn's performance.

B. A. Jones

Guglielmo Ratcliff

CATANIA

During his long life (he died in 1945 at the age of 82), Pietro Mascagni tried to convince the *world that he had written more* than one opera; and he employed his considerable fame, his political position, his notable talent for relentless hectoring, in order to foster productions of his less familiar works. But, *try as he might*, he could never dislodge *Cavalleria rusticana* from its predominant, virtually exclusive place in the hearts of audiences and in the throats of great singers.

Since the composer's death, *a stout and not meagre band of* supporters and descendants has carried on the fight; and every now and then some enterprising impresario is persuaded to risk a new staging of *Iris*, or *Le maschere*, or *Lodoletta*, or even the immensely long and gloomy *Parisina*. These are never totally futile enterprises: even in his least successful works, Mascagni always managed to provide some enjoyable, effective pages. What was always harder for him was deeper portrayal of a rich character or a compelling and coherent drama. He also had ghastly luck with his librettos.

The Teatro Massimo Bellini in Catania, one of Italy's most charming and, for geographical reasons, alas, least-visited opera houses, this year has just opened its season with a handsome new production of perhaps the rarest of Mascagni rarities, his *Guglielmo Ratcliff*, based on the Andrea Maffei translation (1875) of Heinrich Heine's romantic tragedy originally published in 1823. Mascagni discovered the text sometime in the 1880s, when he was a student at the Milan Conservatory. After he left the conservatory to join a travelling operetta troupe, he carried the opera's manuscript pages in his suitcase and worked at it whenever he could snatch some free time from his oppressive bread-winning job. For years, the Heine story was an obsession, and the young musician's correspondence — especially with his childhood friend Vittorio Gianfranceschini — is filled with details, reflections, hopes, and fits of abysmal despair.

Early in 1889, Mascagni — by now a small-town music master in southern Italy — travelled to Naples for the local première of *Le Villi*, the first opera of his friend from conservatory days, Giacomo Puccini. The performance was a fiasco, but it had one positive outcome. In conversation afterwards the practical Puccini *gave Mascagni a sound piece of* advice: to shelve *Ratcliff* for the moment and try to make his debut with something less ambitious. It is likely that Puccini also brought up the Sonzogno competition for a one act *opera. In any case, in the space* of a few months, *Cavalleria rusticana* was born, won the competition, was triumphantly performed, and launched its young author on his path to fame.

But *Guglielmo Ratcliff* had not been abandoned. First, in the immediate wake of *Cavalleria's* glory, Mascagni rapidly produced two other works: *L'amico Fritz* and *I Rantzau*. Then finally, on February 16, 1895, *Guglielmo* was given its première at La Scala. The initial reaction was favourable, and over the next few years, the piece was presented in the leading Italian houses and a few foreign theatres. Then, like most of Mascagni's other operas, it discreetly sank from the repertory.

Though the recent Catania production is not likely to open a new opera house career for *Guglielmo Ratcliff*, it was in every way creditable. The sets of Ulisse Santicchi created a louring Scotland of foggy *exteriors and gloomy castle* drawing rooms, as well as a forbidding tavern. The costumes were handsome, but unobtrusive. And within this appropriate visual frame, the producer Giulio Chazalettes staged the drama with admirably sparing use of gesture. Often the characters seemed frozen, as if in the fixity of legend. And there was a shrewd mixture of realism and unreality, so that the story — hard to follow and, indeed, hard to accept — was told in sudden bursts of dramatic narrative, followed by passages of reflection.

Though Mascagni, partly under the influence of Wagner's writings (it is unlikely that he knew much of the master's music), wanted to get away from the "number" opera, he took care to give his principals some strong set pieces, either ballads or prayers or, in most cases, narratives. Some of these are musically attractive — there are some grand, broad tunes in the "Easter Hymn" manner — but they make the drama mostly static. And, as the characters are enigmatic when not unsympathetic, *Ratcliff*, for all its likeable moments, is not calculated easily to win the spectator's heart.

The principal role, the tenor Ratcliff, is notoriously punishing (it is alleged to have curtailed the career of its first interpreter); but in Catania the young Emilio Noli essayed it was was panache and vigour. Not every note was a pleasure to hear, but his brave attack and youthful confidence justly earned him ovations and suggested that, in a less unwieldy part, he could be a valuable asset. Guglielmo Ratcliff is doomed by love, but equally doomed to his beloved Maria, who has less striking *but still difficult music to sing.* Still, Sandra Pacetti gave an impressive performance.

As her suitor Douglas, also marked for death, the veteran baritone Rolando Pancrai was admirable not only for his *suave vocal skill*, but also for his crystalline enunciation. Another veteran, the bass Luigi Roni also gave dignity and clarity to the character of Maria's father. Smaller roles were excellently taken: Carlo Bosi revealed a sweet, true tenor as Ratcliff's friend Lesley; and Piera Puglisi, as the boy Tom, was touching in her "Pater noster" scene. Gabor Otvos conducted the unequal score (some of Mascagni's *student naiveties were not eradicated* by his later revisions) with generous conviction. The Catania orchestra followed him with precision and enthusiasm.

William Weaver

The Constant Wife

Revivals of Somerset Maugham's comedies crop up from time to time, in which they are treated as feasts of nostalgia with actors cast in the leading roles who were almost, if not quite, contemporaries of Maugham. Often much of the script seems to be coming sotto voce from the prompter.

Even the late Ingrid Bergman, beautiful as she still was, stumbled horribly over her lines when with her in the lead *The Constant Wife* was revived at Chichester in 1975, and her rather foreign-sounding voice made a nonsense of the main point, which is a spirited counter-attack by the fashionable English wife (circa 1930) on the morality of her well-to-do English husband and his conception of marriage. It is good therefore to have Lucy Parker's production, which opens in Mold and afterwards will go on tour, treating the play as part of theatrical history, reviving it with the same sensitivity to the period as if it were a Jacobean tragedy or a Restoration comedy.

For a start, Claudia Mayer's set of Constance's drawing-room, spreading across the open stage, strikes the right note. It has that pure white wall as a background, which was the hallmark of the style imposed on her clients by Maugham's wife Syrie, one of the most influential interior decorators in London between the wars. There is a hint of Syrie in the play: the heroine Constance has a best friend, briskly played by Lucinda Curtis, whose business she joins, thus gaining her financial independence, the fact on which the plot turns.

The Mold cast, led by Cheryl Campbell, has no weak link. The dialogue, not quite as formal as Wilde, nor yet quite as colloquial as Coward, and difficult to project with one's back to half of the audience, is spoken with assurance. Laughs are plentiful and, as the piece develops out of a conventional drawing-room comedy of marital infidelity into a hilarious challenge to the double-standard morality then in operation, it slowly, delightedly dawns on us that feminist (the word is actually applied in the play to the heroine) issues were already being tackled by Maugham while Betty Friedan was a little girl in rompers.

Surrounding Constance are different women representing various attitudes to the problem of gender: the mother, the traditionalist, given maximum puzzlement by Faith Brook; her unmarried sister with rose-bud lips, Matilda Ziegler, sweetly vicious; her best friend, the vampish good-timer, a delectably flapperish performance by Susan Kyd. But at the end of the day it all depends on Constance. Cheryl Campbell positively galvanises the part with a breathless schoolgirl charm that sweeps all before her. She has two really crucial scenes: one where she is persuading her best friend's husband — a stormy intervention by Toby Robertson — that in spite of an incriminating cigarette case his wife is innocent; and the other turning the tables on her own husband (James Faulkner's smouldering Harley Street volcano) in the brilliantly ironic climax where Maugham is re-writing The Doll's House.

Both are handled adroitly. At the close Constance, wreathed in smiles, disappears to Italy with Mr Faithful, an unrewarding role on paper, to which Giles Watling gives an assurance reminiscent of that great supporting actor, Cyril Raymond.

Anthony Curtis

Cheryl Campbell and James Faulkner in The Constant Wife

ARTS GUIDE January 26-February 1

MUSIC

London

Sarah Walker sings Schubert's Winterreise with Graham Johnson (piano) (Wed). Wigmore Hall (935 2141)

Paris

Vlado Perlemuter (piano). Ravel, Chopin (Mon). Salle Pleyel (45638873).
Ensemble Orchestral de Paris conducted by Arturo Tamayo, Teresa Berganza, mezzo-soprano (Tue). Salle Pleyel (45638873).
Boris Belkin, (violin) (Wed). Salle Gaveau (45632030).
Orchestre de Paris conducted by Semyon Bychkov, David Golub, (piano). Debussy, Saint-Saens, Stravinsky (Wed, Thur). Salle Pleyel (45630796).
Orchestre National de France conducted by J. Conlon, Quatuor Brandis. Martinu, Debussy (Thur). Radio France Grand Auditorium (42301516).
Leningrad's National Opera Theatre Maly. Concert version of Rimsky-Korsakov's La Fiancée du Tsar (Thur). Théâtre des Champs Elysées (47203637).

Brussels

Belgian National Orchestra conducted by Ronald Zollman with Philippe Hirshhorn (violin) performs Beethoven, Schubert, Weber (Tues) Palais des Beaux-Arts.

Berlin

Berlin Philharmonic Orchestra conducted by James Levine with Schumann and Berlioz (Tues, Wed). Philharmonie.

Amsterdam

Royal Concertgebouw Orchestra under Riccardo Chailly, with Leo van Doeselaar (organ). Stravinsky, Hindemith, Dvorak (Wed, Thur). Concertgebouw (718 345).

Utrecht

Theo Bruins (piano) and soloists. Debussy, Ravel (Wed). Vredenburg. (31 45 44).

Barcelona

Soviet National Orchestra conducted by Evgueni Svetlanov. Prokofiev, Tchaikovsky (Mon). Palau de la Musica Catalana (301 69 43).
Lluis Claret (cello). Guinjoan, Halffter, Garrido, Ducol. Charles, Kodaly. (Wed). Fundacion Caja de Pensiones (317 57 57).

Madrid

Teatro alla Scala Philharmonic Orchestra conducted by Carlo M. Giulini. Schumann, Ravel, Stravinsky (Mon). Auditorio Nacional de Musica (337 01 00).

Vienna

Alban Berg Quartett. Mozart, Kurtag, Brahms (Mon, Tues). Konzerthaus.
Wiener Philharmoniker, conducted by Claudius Traunfeliner. Mozart, Eder, Mendelssohn (Tues). Musikverein.

Milan

Quartetto Borodin playing Tchaikovsky and Shostakovich (Mon). Teatro alla Scala (809126).
Silvia Marcovici (violin) and Pascal Roge (piano) playing sonatas by Debussy, Faure and Franck (Wed). Conservatorio Verdi (76001755).

New York

New York Choral Society directed by John Daly Goodwin. Tippett (Thur). Carnegie Hall (247 7800).
New York Philharmonic with Erich Leinsdorf conducting. Liszt, Stravinsky, Poulenc, Offenbach (Tue); Erich Leinsdorf conducting, Philip Myers (horn). Strauss-Cuperin, Haydn, Mozart (Thur). Avery Fisher Hall (874 6770).

Washington

Philharmonic Orchestra of London. Mixed programme (Wed). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra. Sir Georg Solti and Andrzej Panufnik conducting, Samuel Magad (violin). Panufnik, Beethoven (Thur). Orchestra Hall (435 6666).

Tokyo

NHK Symphony Orchestra, conducted by Horst Stein. Mozart, Beethoven (Mon). Suntory Hall (505 1010).
Tokyo Symphony Orchestra, conducted by Christoph Eschenbach. *Mahler Symphony no 8* (Mon, Tues). Bunkamura, Orchard Hall (362 6764)
Anne Akiko Meyers (violin), with Rohan da Silva (piano). Mozart, Stravinsky, Faure, Sarasate (Wed). Bunkamura, Orchard Hall (235 1661)

FINANCIAL TIMES

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Europe whole and free

FOR 40 YEARS the Cold War imposed a kind of order on Europe. A new order is now needed, if there is not to be disorder. The new order cannot and should not exclude the former superpowers, but it will not be dominated by them in the way the old one was.

The most dynamic part of Europe is organised in the European Community. Mr Jacques Delors, President of the EC's Commission, is right to reject the argument, which he claims to have heard "in some quarters," that "the Community, as a product of the Cold War, should die with the Cold War." Most people agree that the EC is one of the great success stories of the postwar era, and many people in eastern Europe see it as incarnating that free and united Europe to which they too wish to belong.

That being so, the EC must play a central role, if not *the* central role, in devising what the new order should be. Yet the shape of the EC is inevitably going to be different in the future. A united Germany will, more even than the present Federal Republic, be the dominant national economy; and the end of Germany's status as a divided and partially occupied country will free it to take more of a political lead as well. It will also allow the Germans to reassert their identity as a central rather than a purely west European power. But German political and economic leadership will be more acceptable in central and eastern Europe (still haunted by some unpleasant memories) if mediated through the Community.

Strong candidates

Thus the EC itself will find it difficult to cling to a purely *west* European identity, and would be unwise to try to do so. Austria is already a strong candidate for membership. Some other central European countries will be in a few years' time, if they make a success of the economic and political transformation they are now attempting; and their moral claim to membership will be all the more difficult to refuse given the probability that one ex-Comecon, ex-Warsaw Pact country (East Germany) will already have got in by uniting with an existing member state.

This perspective is certainly not a reason for abandoning the EC's present phase of integration. But it needs to be kept in mind as that phase proceeds. It provides, for instance, one more cogent reason why the single market must not be a fortress, but a market open to everyone; and why the form of economic and monetary union (EMU) eventually chosen should allow for an outer circle of Community members who are not, at least for a time, required to conform to all its obligations. Several existing members (Greece and Portugal for instance) would need this; so it would be unreasonable to make full monetary union a condition of adhesion for new members.

Eastern perspective

By contrast the eastern perspective if anything makes more urgent the need to streamline and democratise the EC's decision-making machinery, which Mr Delors now accepts will have to be discussed, in parallel with EMU, by the forthcoming intergovernmental conference. The larger the number of member states, the more impracticable it becomes to insist on any given decision being steered in identical form through each member's national decision-making process.

The more the Community is required to take the lead in organising the common western effort to aid reform in eastern Europe, the more it needs an executive empowered to take decisions quickly. That executive must also have resources (above all administrative and diplomatic resources) to carry them out.

Mr Delors now admits that what he has in mind is a "federation." He is unwise to use that word. The principle of "subsidiarity," which he rightly says "will have to be clarified and reflected in the institutional and legal arrangements," is more typical of confederal than federal constitutions, since it implies that residual powers belong to the member states rather than to the union. Pointing in the same direction is his suggestion that national parliaments as well as the European Parliament must have a role to play in the democratic supervision of the executive.

Such a European union, confederal in form and open to new members which meet its economic and political criteria, would be an appropriate centrepiece round which to build the new European order.

An old fashioned curriculum

MR JOHN MACGREGOR, Britain's Education Secretary, has tacitly conceded that the national curriculum envisaged by Mr Kenneth Baker, his predecessor, was too rigid. Mr Baker wanted all pupils in state schools to study 10 foundation subjects up to the age of 16. Mr MacGregor said last week that students would be able to drop some subjects at an earlier age provided they could demonstrate a sufficiently-high level of competence.

This and other concessions is designed to counter criticism - particularly from the independent sector - that the national curriculum will eliminate choice and crowd-out minority subjects, such as classics and a second foreign language.

Fears about crowding-out were certainly not misplaced. The Government is committed to assessment at 16 through the General Certificate of Secondary Education (GCSE). Each GCSE course occupies around 10 per cent of the timetable. A 10-subject curriculum assessed under GCSE would thus leave no room for any extras – not even religious education, which is supposedly compulsory.

Under the new rules, all pupils will have to take GCSEs in maths, English and science – the core curriculum subjects. But they will be able to take shortened courses, perhaps equivalent to half a GCSE, in the remaining foundation subjects of technology, history, geography, a foreign language, music, art and physical education. It will be possible to take GCSEs in combinations of foundation subjects; in other words, to satisfy national curriculum requirements by taking a single GCSE in, say, history and geography.

Pupils will also be able to mix foundation and non-foundation subjects – history and politics might thus become a single GCSE option. Students will have to study the core subjects, plus technology and a foreign language up to 16 but high performers will be able to drop other foundation subjects at an earlier age.

This more flexible interpretation of the national curriculum is a big step forward. But problems remain. Mr MacGregor's insistence that all pupils take a GCSE in science is not as reassuring as it sounds. National curriculum science is an amalgamation of three subjects - physics, chemistry and biology. If scientific and technological options are to remain open in the sixth form, pupils need to take at least a double GCSE in science.

Bowed to pressure

Last year, the Government bowed to pressure and said students would be able to opt for single GCSE science. Mr MacGregor's failure even to recommend double-science GCSE throws doubt on his resolve to end the premature specialisation that has plagued British education.

The arbitrary specification of national curriculum subjects will distort educational priorities. By stipulating that children must study history and geography, the Government is implying that these subjects are more important than a non-foundation subject, such as economics. Yet, is a knowledge of the world's rivers really more important than an understanding – however crude – of the price mechanism? There are other smaller biases. For example, the Government has expressed a questionable value judgment in ignoring dance and drama but giving music and art the status of compulsory foundation subjects.

The national curriculum deserves support because it will ensure that many pupils – especially girls – enjoy a broader and better balanced education. But Mr Baker's brainchild is looking curiously old fashioned. With the exception of technology, his subject structure and balance would not have raised eyebrows in the 1920s. A more imaginative approach would have been to start from first principles by asking what skills and knowledge children will require to function effectively in the 21st century. If such a question had been asked, economics would surely have appeared alongside history and technology as an important foundation subject.

Paul Betts and **Charles Leadbeater** on British Aerospace's plans for its future

Sense of agitation in a flagship

Inside British Aerospace there is a temptation these days to stop to pause for breath after the binge of acquisition and diversification during the last few years which has transformed it into one of Europe's biggest companies with annual sales of £10bn.

"Every time I get an idea, some of my colleagues say: 'Professor Smith why don't you go out and take a walk around the park,'" BAe's large avuncular chairman Roland Smith chuckled. "But you can't stand still. You either go forward or backwards, but you can't stay in suspension. You can't survive on that basis."

A sense of permanent agitation seems to prevail throughout the company, nowhere more so than at the top of its London headquarters overlooking the Strand and Charing Cross railway station.

The agitation partly reflects problems that have shaken the company in recent weeks, including renewed political controversy over BAe's acquisition of the Rover group; the public row over its speedy realisation of property assets after privatisation; and the 13-week old strike over shorter working hours at three of its plants. In far greater measure the agitation reflects much broader, long-term issues facing BAe. Chief among these are the implications of détente on its traditional military business and the growing trend of concentration in the western aerospace and defence industries and in the car sector.

BAe is now seeking to position itself strongly to play a major part in the reshaping of the European and international aerospace industry.

Mr Dick Evans, the group's new chief executive since the beginning of the year, talks about "smart companies" being either number one or number two in their sectors or getting out of their business altogether. Mr Sid Gillibrand, the head of the group's commercial and defence aerospace activities, says "the priority right now is to continue the process of acquisition." Professor Smith is toying with the idea of moving the company into the financial services business and gives hints about ambitions one day to forge a partnership with the West German Daimler-Benz group.

Barely 10 years ago BAe was almost 100 per cent defence-oriented. Today, 54 per cent of its turnover comes from non-defence activities – Rover and commercial aircraft being the two biggest. The company, concedes Mr Gillibrand, has undergone a series of sea changes. These include two privatisations (its own and that of the Rover group); diversification into cars and into property development and personal telecommunications; and internationalisation through alliances with the Japanese Honda group, Thomson CSF of France, and the other European partners in the Airbus aircraft manufacturing consortium.

That has not only entailed a constant re-examination of management style and strategy but has transformed the company's character. Some of its critics regard it as an unwieldy conglomerate and question its claim that there is a dynamic synergy between its various activities, especially at a time when the Ford and Chrysler car companies have decided to withdraw from the aerospace business.

But Professor Smith defends the group's overall strategy. He argues there is a common engineering thread linking the group's diverse portfolio of activities. The company's senior officials all acknowledge BAe faces a number of testing challenges and that the group, according to Professor Smith, "is going through a further rethinking process."

The drive behind the changes at BAe has been the upheaval in its traditional military activities. Until recently, the core defence businesses were focused on one main customer – the British Government. But BAe had to adapt to changing Ministry of Defence requirements leading to a greater level of competition for MoD business. With shrinking government defence budgets, it has had to rely more on overseas export markets.

The uncertainty in the defence business has forced the company to place more emphasis on commercial activities. Professor Smith acknowledges the company has become more committed to the Airbus programme which he expects will grow into a company larger than BAe itself.

Rover has brought with it a close relationship with Honda, which Professor Smith is hoping to deepen. Rover has also added marketing expertise and Japanese just-in-time production methods to the other parts of the group's activities. Yet serious questions remain over Rover's capacity to survive in the competitive international car market.

Underpinning the diversification and internationalisation of the business is a framework of strategic alliances. But, according to Mr Gillibrand, these alliances are expected to take a different direction. "In the past, the various collaborative projects we entered into in the military and commercial scene have been projects of opportunity. It has left us with a mosaic around the world, particularly in Europe, with collaboration in some programmes and competition in others," he explains.

Airbus, he says, is a classic example of the old kind of collaboration in which BAe and Aerospatiale of France co-operate on large jetliners but also compete vigorously on turbo-propellar aircraft. "It makes for an odd looking Europe not best placed to compete with the rest of the world. The next wave of change in Europe will be fully-blown industrial tie-ups with the coming together of major companies," Mr Gillibrand predicts.

Politics complicates the picture. Despite privatisation, the group is inextricably linked with Government. BAe is a flagship of British manufacturing and one of the country's major exporters. Its good health is therefore crucial to the Government. In turn, BAe relies heavily on Government support for military exports, launch aid for major aerospace programmes and as a customer. BAe, like Rolls-Royce, remains a government-oriented company whatever the company says.

Professor Smith says the relationship with the government has evolved. "We must be mindful of an important customer," he concedes, adding that the relationship is "on a hard commercial basis." He also says the company's links with the Government have made the task of creating a more commercial and market-led outlook more difficult inside the group.

Indeed, he suggests that some of his colleagues sometimes caution him for spending too much time in the City. But he says he is keen to devote a considerable amount of time to shareholders and investors. "This is a major change since I arrived. People are looking more to the City than before," he adds.

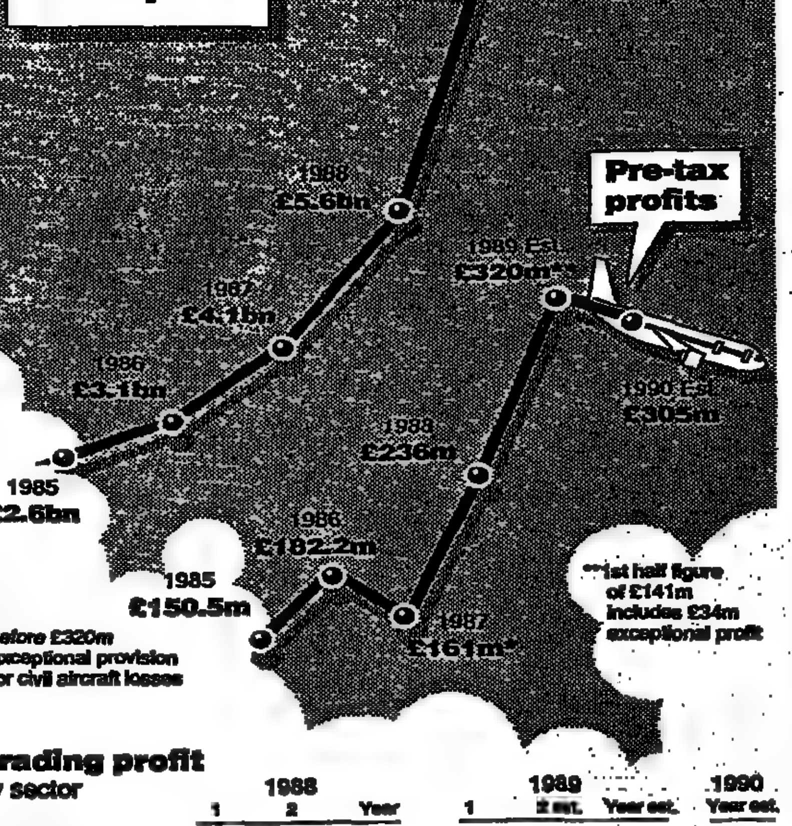
Professor Smith and his colleagues in the company's Strand headquarters have set up a two-tier management structure to steer the group's disparate activities through the rapid changes affecting all of its main businesses. His role, he says, is not to get bogged down in detail but to help make the long-term strategic choices. The group's managers' task is to get the most value from their businesses.

Leading companies are no longer simply reacting to change but actively seeking structural reorganisations of their industries, Professor Smith claims. "We'll soon be on the move again," he says.

"The process of diversification is bound to continue because we will be adding more things to the group," he explains. "The recent events in eastern Europe reinforce the need to continue on that kind of strategy." Indeed, the engineering thread may extend to financial engineering. Following the example of other big industrial groups like McDonnell Douglas or Ford which are well established in financial services, BAe may consider developing its own financial activities. "We are good at pension fund management and money broking. There are all the makings for that kind of activity which should add to our businesses and could feed on aviation and motor," Professor Smith says.

However, he recognises that there is a limit to the extent of the group's diversity. BAe is now looking at areas which would fit with its current portfolio of engineering interests. Professor Smith admits that the difficulties he faced in justifying the logic of the Rover acquisition have made him wary of straying too far from the company's core businesses.

Diversification and the need to expand its market base will force the company to become even more international. "Just to be interested in the UK market is rather boring for BAe," Professor Smith mutters almost dismissively. Arlington Securities, its property company, is looking increasingly to European development schemes. In military equipment, BAe is widening its market from the Middle East to South Korea and Malaysia.



Trading profit by sector

	1988 1	1988 2	1988 Year	1989 1	1989 2 est.	1989 Year est.	1990 Year est.
Civil aircraft	(17)	(18)	(35)	5	0	5	35
Military aircraft	80	121	201	87	113	200	265
Weapons, electronic systems	89	67	156	48	62	110	125
Motor vehicles	–	35	35	27	23	50	35
Property development & construction	8	9	17	7	43	50	60
Other	7	6	13	9	11	20	20
Own R&D	(37)	(39)	(76)	(37)	(38)	(75)	(75)
Trading profit	130	81	211	146	214	360	455

Kleinwort Benson, January 1990

In recent months, Professor Smith has become concerned that BAe should not miss opportunities to expand in the US. He says the company is unlikely to make an acquisition but that does not mean it will not link up with an American partner.

None the less, the foundation of its international strategy will be Europe. This has already begun with the recent agreement to combine BAe's guided missiles businesses with those of Thomson CSF of France. Equally significant is BAe's deeper commitment to the Airbus programme.

Mr Gillibrand says BAe wants to see Airbus develop into a company owning its own assets and production with a totally commercial approach to business. "Its destiny lies as an industrial group," he stresses, rather than a consortium based on a network of Government involvement. Yet Airbus's potential for growth (its annual sales are expected to total $15bn by the mid-1990s) could create new problems for BAe. As Airbus becomes an increasingly large component of BAe's overall activities, it could consume a greater share of its financial and managerial resources at the expense of other parts of the group.

But Airbus may prove to be the catalyst for a new partnership which could have broad implications not only for the aircraft consortium and BAe but for the future shape of European industry. For Airbus has brought BAe together with Daimler-Benz, the West German group which is taking over Messerschmitt Bölkow Blohm, one of the original Airbus partners.

Professor Smith says he gets on very well with Mr Edzard Reuter, the chairman of Daimler-Benz. The arrival of the German group in Airbus is "very good news" for Professor Smith because he expects it to provide significant change in the commercial approach of the aircraft consortium.

"We are getting closer to Daimler-Benz. Our businesses are complementary," he says. Pointing out that Mr Reuter had already indicated he would like to have a shareholding in BAe, Professor Smith made it clear that company sees no major problem in having international investors.

Should it eventually happen, a tie-up between BAe and Daimler-Benz would be one of the most significant steps in the concentration of European engineering and aerospace industries now taking place. But it is still early days.

"It is too early to think of a Daimler-Benz link-up. We must first find a method of working together. Then we can move to the next stage," says Professor Smith. He also adds that there are bound to be complications when a company like BAe co-operates with so many different partners. With Daimler-Benz, the talks have focused on military and aerospace activities and not on cars since BAe is anxious to cultivate its collaboration with Honda. "It's not a Chinese Wall, more like a Berlin Wall," he jokes. It could also complicate BAe's developing relationship with Thomson CSF.

In some ways history is now repeating itself. As Mr Keith Hayward points out in a recent book on the British aircraft industry, BAe with its recent acquisitions and diversifications has returned to the origins of aircraft manufacturing which grew as an offshoot of the motor industry and general engineering. The difference this time, however, is that aerospace looks set to become the motor behind the next major restructuring of European manufacturing industry. Mr Evans, BAe's new chief executive, remarks, strategic alliances are "inevitable" in the early part of the 1990s. "It is largely going to be European driven, but it cannot ultimately be successful without actually having an association of one shape or another with the US," he says.

Italians go too far

■ *As we noted last Friday, all* the top officials who coordinate Western aid to Eastern Europe are Italian. There is also a plethora of Italians at the top of the European Commission in Brussels. So much so that Antonio Costa looks like being obliged to step down as director-general for macro-economic affairs (DG2, as the division is known).

The post of director-general is equivalent to being permanent under-secretary in a Whitehall Department. There is therefore considerable competition for it, out of which the Italians have done very well.

They appeared to be doing even better when Jacques Delors, the President of the Commission, promoted Riccardo Perissich to be director-general of DG3 (internal market). In the process, Delors quashed Britain's bid to have John Mogg, a senior Department of Trade and Industry official, head the Brussels department that Mrs Thatcher considers most important.

That would have given Italy five out of the 23 directors-general, too many even for a large EC state. Therefore, one Italian has to step down. Delors is insisting that it should be Costa, although his economic expertise, plus fluent Russian, might put him in the running for the future EC office in Moscow.

Costa is likely to be replaced by a fellow Italian, who has worked for Delors before: Giovanni Ravasio. The job is pivotal to the imminent negotiations on monetary union. But here the national reshuffle begins. Ravasio will vacate DG22 (structural funds) to an Irishman, tipped to be Andrew O'Rourke, currently the Irish Ambassador in London.

Portugal, with its outsize fishing fleet, is to get its own man, Jose Serra, in charge of fish (DG14), and the Dutch, keen on EC financial probity, get their own Lucien de Moor put in charge of budgetary control (DG20).

Two remaining big jobs have national flags on them, but no name yet. Various British Eurocrats, plus Peter Wilmott, board member of the UK Customs and Excise, are vying to take charge of indirect taxation (DG21), a dossier on which the UK Government has strong views.

Claus Ehlermann, presently the chief Commission spokesman, will take charge of competition policy (DG4). But he is likely to be succeeded in the spokesman job by a fellow German, for Delors is adamant that, given the state of affairs in central Europe, the Commission needs to speak with a German accent.

OBSERVER

"Due to BBC cuts, there will be no cute animal story at the end of the news."

Old ways

■ A colleague called a taxi last week from Downing Street to Congress House, the headquarters of the TUC. "Ah," sighed the driver nostalgically, "there aren't many people who do that journey these days."

German first

■ Top lady bankers are not a common sight in the boardrooms of the world's leading financial institutions. So a female director of two well-known banks is a rarity indeed, especially when one is in Frankfurt and the other in London.

Ellen-Ruth Schneider-Lenné is not exactly the personification of a typical banker. She is jovial and enthusiastic, rather than discreet and formal.

After two years as a director of Deutsche Bank,she has moved onto the board of Morgan Grenfell, the UK merchant bank just bought by Deutsche for £950m. Joining her at Morgan are Hilmar Kopper, chief executive of Deutsche in succession to Alfred Herrhausen who was murdered by terrorists last year, and Rolf Breuer. She may be slightly cross for being singled out for attention because she is a woman, but at those two banks it is unusual, and at Morgan probably unprecedented.

Known at Deutsche for her quick brain and her readiness to knuckle down to new tasks, Berlin-born Schneider-Lenné, 47 is affectionately called SL by some colleagues. This is a reference not only to her initials, but also to her taste for fast cars; the sleek Mercedes SL is one of Germany's top luxury sports models. She is also fond of winter sports.

Schneider-Lenné will not be lost in London. She was a manager at Deutsche Bank's branch here for five years. Looking after activities in the UK, Ireland, and Switzerland is part of her present board responsibilities, which also include overseeing the bank's international business. Her English is excellent and her ebullient approach might put new life into Morgan's boardroom discussions.

She and her Deutsche Bank colleagues, however, are being quite modest about the adventure. There was a time when the Frankfurt headquarters would try to restrain the activities of its London capital markets staff. Now, says Schneider-Lenné: "Times have changed; we have changed."

Brave start

■ *Academics running LSE's* economics summer school are going to have to watch their step this year. The 1990 class will include a rather special pupil: Professor John Ashworth, the LSE's director-elect.

Ashworth, currently vice chancellor of Salford University and a former chief scientific adviser in Whitehall, is a biologist by training.

The summer school is a fairly intensive affair. A "large fraction" of an undergraduate course is crammed into each three-week session, which involves two sets of exams. Last year, pupils included Treasury and Bank of England officials, the Yorkshire Post's political editor and four economists from East Germany.

Ashworth's introduction to economics will not be cheap. LSE, obeying government injunctions to rely less on the public purse, charges £525 for each session (£975 for two). The director's cheque has already arrived.

Nobody has yet worked out what will happen if Ashworth fails the course. Natural scientists sometimes flounder in the supposedly softer social sciences. Max Planck, one of the founders of quantum mechanics, once told Keynes that he considered becoming an economist, but had found the subject too difficult.

Alone together

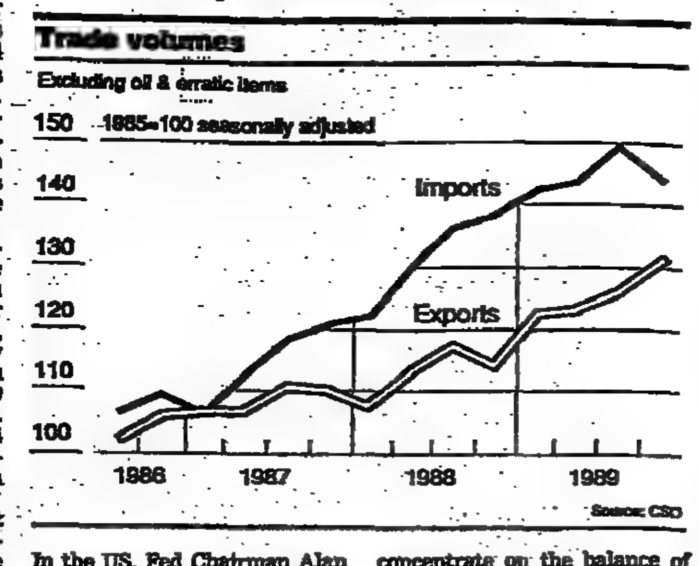
■ From an advertisement in a New York newspaper: "Enjoy the healing peace of solitary meditation. Group sessions nightly."

ECONOMIC VIEWPOINT

Trade for teenagers

By Samuel Brittan

Trade volumes



Is there a snag about the supposedly good December UK trade figures? There is not one of the obvious kind that ensnares teenagers looking for instant comment. The narrowing of the payments gap is clear on a quarter-to-quarter as well as month-to-month basis. Nor is more than a minimal part due to oil or erratic items.

If we look at volumes, excluding both oil and erratics, we see that exports in the fourth quarter of 1989 were 15 per cent higher than a year ago, while imports were up by only 3½ per cent. The comparison with the third quarter of 1989 looks even more encouraging. Export volumes were up by 4 per cent (actual, not annualised) while imports were down by the same percentage.

I am tempted to say that it will now be clear that the macroeconomic problem facing the UK is inflation, not the balance of payments. As I have always thought that anyway, I can hardly claim this as a new insight emanating from recent trade figures. But if I thought that saying so would cause policymakers to give overriding priority to sterling rather than to the political protection of basically well-subsidised mortgage holders, I would swallow a few scruples.

Trade figure watchers should nevertheless keep their fingers crossed. Even in the last quarter of 1989 the recorded deficit was still running at an annual rate of over £16bn. Even a quarter is too short a time interval in which to establish a trend. There was an earlier false dawn in the first quarter of 1989, only to be succeeded by shock-horror headlines in the middle two quarters of last year. The partial seamen's strike confused interpretation then, but not even ministers tried to use them as a complete scapegoat. True trade watchers will need at least another three months data before coming to any conclusion on which it would be worth staking their personal fortunes.

More immediately important is that international interest rate trends will certainly not encourage any early easing by the British Government, for which heavens be praised. In Japan and Germany, the question is not whether short-term rates will be raised, but when. In the US, Fed Chairman Alan Greenspan, has put further easing very clearly on the back burner. At the longer end, markets have given their own signals. Bond yields in Japan have risen by over one percentage point and have also turned up in the US and Germany. The remark of Fed Governor, Wayne Angell, that "whatever policy brings down bond yields is the right policy" should be a clear enough message for wishful thinkers.

There is a more important longer term qualification. The improving trade trend obviously reflects the economic slowdown. The fall in imports in the final quarter of last year is the first of any size to be visible on the chart. The profit warnings given by chairmen of companies dependent on the domestic markets are better evidence of downward pressure than the retail sales or money supply numbers.

But what will happen when expansion resumes not at boom rates, but in line with the productive potential of the economy? Ministers often give the impression that they cannot wait for the approach of 1991 to relax policy.

A policy choice has to be made. The UK Government can concentrate on the balance of payments itself, in a thoroughly outmoded way and let sterling slip later in the year under the fig-leaf of a tight fiscal policy. Alternatively it can try to stamp on cost pressures, by making it clear that there will be no further depreciation, and that on the contrary it will try to restore the fall experienced by the pound in 1989.

The first course is the easier one which will bring short term relief to the balance of payments at the price of higher inflation, which will eventually erode the competitive gain. Even if most of the erosion is after the next election, the financial markets - now no longer bedazzled by a Thatcher or Reagan miracle - will foreshadow the later inflationary developments. Indeed they have already begun to do so.

The worst would be the pseudo-toughness of trying to repeat the 1981 Budget when fiscal policy was tightened in a recession

The second course appears a good deal tougher. It involves telling industry that there will be no reflation in 1990, 1991, 1992, or indeed ever; and that it will be up to business to find its own markets both in the European Single Market and in the wider world. Fiscal policy would be based on long-term considerations and monetary policy would return to permanent counter-inflationary objectives. Far and away the most cost-effective version of such a policy would be based on the exchange rate. But the Government is welcome to try a domestic money supply alternative it it wishes, provided that it is a genuine one and not the Treasury's "M0", which contains no causality and is operated by half-closing the stable door when the horses have already bolted out of sight.

The worst course of all would be the pseudo-toughness of trying to repeat the 1981 Budget when fiscal policy was tightened in a recession. Even assuming that that Budget (which provoked 364 economists into a protest) really was the cat's whiskers, the 1990 position bears no comparison. In 1981 there was a structural Budget deficit. Today there is a surplus, which on the worst Treasury forebodings will still approach £10bn. Simon Holberton analysed in detail the factors behind the disappointing Budget out-turn so far in 1989-90 in his UK Gilts article on January 22, and concluded that few appeared to be permanent or even reflected slower economic growth.

Much more important is that the currency position was completely different. In 1981 sterling was heavily overvalued (thanks to monetary policies that for too long ignored the pound) and British industry had a good case for some relief. Since then the trend of sterling has been heavily downwards - not in a straight line but in a series of swings - and the belief that it will continue this way is the biggest inflationary factor in both the financial and labour markets. Thus while in 1981 a tough Budget was a useful fig-leaf to cover the lowering of interest rates, that is the last thing the Government needs at present.

If we are to have a lower pound, lower interest rates, a very un-Tory policy of higher taxes and a higher mortgage interest relief ceiling to boot, then indeed the nakedness of Mrs. Thatcher's anti-inflationary credentials will be well and truly exposed. If they are attempting to cover them up - the Treasury knights deserve one-and-a-half cheers, the number of cheers reflecting an outsider's guess about the courage and determination with which they are so doing.

Punishing price of perestroika

John Wyles meets a Soviet industrialist who feels Mr Gorbachev's reforms cost dearly

Valentin Petrovitch Zanin is an angry man. He has risen to very respectable heights in the Soviet industrial system since he was a rowing finalist in the 1960 Rome Olympics, but he trembles with frustration at the rules which appear to limit his every power of initiative as the manager of a group of Leningrad manufacturing plants.

His long face set in a perpetual grimace, he rails with unashamed hyperbole against Mikhail Gorbachev's perestroika as having "taken away the last dregs of managerial freedom we had." Joint ventures with Western companies are "dishonest" tricks and the Soviet wages system exploits because it penalises hard work.

Mr Zanin is a walking embodiment of the contradictions in Mikhail Gorbachev's Soviet Union: a man who supports the ends of perestroika but deplores the absence of the means to achieve them, who wants freedom to manage but a firmly guiding hand from the State, profits without any loss of social justice, foreign technology and consumer goods without "immoral" incentives.

He and his colleagues in the 26-member Leningrad Association of Industrialists which he helped to found, are the men for whom Mr Gorbachev has designed a starring role in the hoped-for transition from a centrally planned economy to a decentralised structure responsive to the market.

They should be his allies in confronting and bending the nomenklatura, the powerful bureaucracy in the central Soviet ministries, to the imperatives of perestroika.

Yet if Mr Zanin is at all representative, Mr Gorbachev is in danger of losing this crucial constituency, and may already have done so. Perestroika clearly raised the hopes of such managers whose anger appears to be fed as much by an awareness that its values are being increasingly discredited as by their own professional disappointments.

'Each increase in output produces lower wages; the harder you work, the greater the exploitation'

In the margins of a recent conference in Leningrad organised by the Leningrad International Institute of Management – a joint venture between Leningrad University and the Bocconi University of Milan – Mr Zanin was remarkably ready to explain his unhappiness to Soviet and foreign journalists.

He rejected accusations that he and his colleagues in Leningrad are anti-perestroika. "We don't want to bury perestroika but to give it substance, while respecting the values and the social fabric inside and outside the companies.

"We have to create an entrepreneurial idea in the Soviet Union. At present, it is practically impossible. You can't buy or sell anything without a state order."

He talked of morality with much greater fervour and frequency than would any Western counterpart and singled out for special attack a 3 per cent limit on wage increases which he said the Soviet authorities imposed this July as part of an attempt to curb inflation.

No-one quite knows how high this is; Mr Abel Aganbegyan, one of the Soviet Union's leading economists who at one time was said to be an influence on Mr Gorbachev, suggested at the conference that inflation might be running at 19 per cent a year, while one Italian academic said that he believed the country was experiencing hyper-inflation.

Mr Zanin blandly admitted over lunch that he was actively looking for ways around the pay curb "so as to keep the workers happy." His company was on the look-out for consumer goods to distribute among its 10,000-strong workforce and had recently managed to allocate a consignment of shoes.

He would not be drawn on whether worker unrest was becoming a problem but his emphasis on the overriding needs for wage flexibility and more, many more, consumer goods, suggests that it is at least an anxiety.

Workers, he affirmed, lack any incentive to work harder and may actually be penalised for doing so if factory output rises above levels set by central planners. "Each increase in output produces lower wages, so the harder you work, the greater the exploitation." He suggested that in relative terms, taking account of responsibilities, the manager of the giant Togliattigrad car plant was earning less than a roadsweeper.

He advocated the complete freeing of wages allied to the principle that "pay relates to work carried out," and the introduction of a progressive taxation system.

While some Soviets at the conference warmly applauded the Nobel Prize winning economist Vassily Leontieff when he roared "as long as selfish instincts are not harnessed to a profit making system the decline will continue," profit continues to be something of a dirty word in the Soviet Union. But Mr Zanin sees much value in aiming for a surplus. His complaint is that he is unable to keep his profits.

"Now 30 per cent are set aside for salaries and wages and 70 per cent goes to the State for reinvestment. We want all profits to stay with the company, but the authorities are reluctant because the enterprises will then become independent."

He is, however, opposed to indiscriminate profit-making. "I think certain limits – 50 per cent of sales, say – should be put on profits and prices set free."

He is intrigued by employee share ownership schemes which he has read operate in the West as a source of motivation. "We should distribute part of our profits as shares, with ownership limited to the recipient, because our workers do not have a sense of property. We have to get used to the idea of possessing property of value."

His hostility towards joint ventures was altogether unexpected. He resented the Western partner's relentless pursuit of profit and the favours being bestowed on joint ventures by the Soviet state. "They are free of taxes (usually for their first three years) while Leningrad members pay 50-60 per cent. They are not concerned with moral considerations. There should be one formal system for all."

This judgment should give pause to every Western industrialist pondering the opportunities in the Soviet market. He may not regard it as part of his job to sell the virtues of his joint venture to Soviet public opinion, but there is clearly a massive job of education to be done not only to change values but also to communicate a minimal understanding of market principles.

Mr Gabriele Cagliari, president of Eni, the Italian state energy company, said in Leningrad that his group was looking for an 18-20 per cent return on investment in the half dozen joint ventures it is negotiating.

Given the venue and the substantial presence of Soviet journalists perhaps he should have added a homily on the social value of wealth creation, in addition to stressing, as he did, that the projects might lose all of their attractions if Mr Gorbachev were to fall.

Professor Herbert Levine of the University of Pennsylvania suggested that there was still time to win an improvement on the economic front, citing a poll which revealed that while 75 per cent of the Soviet respondents believed that the general economic situation had worsened over the last two to three years, only 28 per cent thought that their own families' condition had worsened.

Any further delay in the political acceptance and introduction of reform measures would make unavoidable the reimposition of those central economic controls which have been relaxed. He thought that in five years or so, recentralisation having failed to solve the problems, perestroika mark 2 under more experienced leaders may be more successful. Sooner or later, said Professor Levine, "the Soviet economy will become a Socialist market economy." This may be asking a lot of Mr Gorbachev's patience, let alone Mr Zanin's.

'Our workers do not have a sense of property. We have to get used to the idea of possessing property of value'

LETTERS

London's airports 'must work as a system'

From Mr D.M.G. King.

Sir, Mr Lucking (Letters, January 20) completely misses the point when he suggests that BAA plc is attempting to throttle capacity and competition at Heathrow to raise company profits.

It is true that in a free market we could ask considerably more for our aircraft charges which are currently lower than those at Paris, Frankfurt, Amsterdam and New York.

Similarly, Mr Seabright's suggestion (Letters, January 24) that an auction system for slots at airports should replace the current system of allocation by committee would have, as a recent independent analysis by Swiss Bank Corporation points out, an immensely positive impact on BAA profits.

However, the point Mr Lucking forgets is that airport charges are regulated by the formula under which BAA must operate – the Retail Price Index minus one.

Furthermore, if we were seeking excessive profit at Heathrow passengers' expense, why would we be working so hard to invest nearly £200m in the Heathrow Express Rail Link (currently awaiting parliamentary approval) and designed to reduce travel time from central London to Heathrow to only 16 minutes.

Without generating profits we could not invest in this or other projects to meet future customer demand. Stansted Airport's brand new £400m terminal facilities are due to open in just over a year and will provide vital extra capacity for the London system.

The way for London to compete with Paris is for London's airports to work together as a system. In the future, Heathrow, Gatwick and Stansted will be connected not only by road, through the M25 (which is being widened) but also by direct rail links.

When the Heathrow Express, Stansted Express and Gatwick Express are all connected by the Cross Rail system in central London, we will be closer to achieving our vision for the future – four major runways all connected by rapid surface links.

D.M.G. King,
Managing Director,
Airports Division, BAA plc,
130 Wilton Road, SW1

Community charge arrears

From Mr Michael Ivens.

Sir, Richard Evans ("Companies face 'nightmare'," January 9) should be congratulated for unveiling the fact that employers in England and Wales are going to be compelled to collect community charge arrears from their employees' pay packets.

This is another step in the post-war trend of making the employer responsible for employees' debts. It is a dangerous trend.

What Mr Evans did not mention was that the Debtors of Scotland Act 1987 already gave the courts very wide powers, including arresting earnings for payment of rates (now the community charge).

Northern Ireland has escaped the community charge for, presumably, the usual mysterious reasons.

Michael Ivens,
Director,
Aims of Industry,
40 Doughty Street, WC1

Mr Gummer's lunch box

From Mr Stuart Macwhirter.

Sir, I note that Mr John Gummer, the Agriculture Minister, has taken to carrying his own lunch box ("Ploughmen's lunch," January 25). Am I to assume and indeed hope that this may indicate that Mr Gummer and politicians in general are beginning to realise there is no such thing as a free lunch?

Stuart Macwhirter
40/41 Pall Mall, SW1

Bulgaria's political culture

From Mr Asen Novachkov.

Sir, I would like to express my high esteem for the FT's generally fair and objective reporting about events in Bulgaria in recent months.

This becomes even more relevant and important now that the new Bulgarian Government has embarked upon the very difficult and uncharted road of restructuring the whole political and economic system and putting the country firmly on the road of destalinisation and democratisation. I would hope for your general support, sympathy and encouragement during this exciting period.

However, I could hardly disagree more with the opinion expressed by Judy Dempsey ("A fragile future for democracy," January 24) that Bulgaria has an "extremely weak political culture."

Bulgaria is one of the oldest states in Europe and there are many examples of high political standards and old democratic traditions in the country which gave the Cyrillic script to the world. The salvation of the Bulgarian Jews during the Second World War is just one of them. It was brought about by an intensive political struggle by a broad spectrum of political forces which was quite unique in Europe.

If, as Ms Dempsey says, there is "a degree of stability" in Bulgaria, even in the present turbulent times, this is not least because of the maturity and political culture which all the political forces in the country are able to demonstrate.

Asen Novachkov,
Press Attaché
Embassy of Bulgaria,
186-188 Queen's Gate, SW7

Deregulation or abdication of responsibility by the state

From Mr Harry Shutt.

Sir, Anthony Harris's brilliant analysis of the forces behind the current revival of inflation ("Facing the mirror the morning after," January 15) should give pause to those who now seek to revive the sterile debate of the 1970s in which blame was pinned variously, according to taste or sectional interest, on greedy unions, weak management or excessive state spending.

What must be recognised is that any government that claims to be trying to restrain monetary growth while at the same time deregulating the financial sector is guilty of, at best, massive self-deception. For such deregulation amounts to the abdication by the state of its supposed responsibility for controlling monetary creation in favour of private sector financial institutions.

The latter, being profit-maximising bodies, have an inevitable propensity to expand the amount of credit they create beyond the level the market can usefully absorb – a tendency which overrides any concern for maintaining price stability. Indeed, when credit demand related to productive investment is weak, banks have an obvious interest in promoting an inflationary climate which stimulates the market for purely speculative borrowing through the bidding up of asset values.

They are even, as another of your US-based correspondents, Anatole Kaletsky, has demonstrated, not above using Mafia-type methods to compel corporations to accept unwanted loans for buying in their shares under the threat that alternatively the same loan will be made to a predator to buy them out. Either way the result is the cost-raising debt burden referred to by Mr Harris.

Those who wonder why banks should go to such lengths to acquire often risky assets should recall that the greater the apparent risk the higher the interest they can charge, and virtually all financial institutions can ultimately count on the state, as lender of last resort, to bail them out.

This clearly points to a need not merely to "re-regulate" but to ensure that henceforth institutions underwritten by the community are constrained to respect their obligations to that community. This would obviously entail a much greater degree of involvement in the operations of the banking sector – such as still prevails (however imperfectly) in much of continental Europe – and much greater openness in the conduct of its affairs.

This would of course be anathema to those who gain from the Anglo-Saxon tradition of leaving financial institutions in perpetual "moral hazard." Yet if we could thereby escape from the intolerable dilemma of inflation or recession many would surely consider this an acceptable sacrifice.

Hurry Shutt,
The Grange, Hillside,
Horsham, West Sussex

FINANCIAL TIMES
Monday January 29 1990

Romanian President in talks with opposition

By **Victor Mallet** in Bucharest

MR ION ILIESCU, Romania's interim President, held urgent talks with opposition leaders last night after thousands of demonstrators from rival factions surrounded the five-week-old Government's headquarters.

In the biggest public protest since the revolution which overthrew the dictator Nicholai Ceausescu in December, demonstrators opposed to the ruling National Salvation Front confronted government loyalists in Victory Square and eventually burst through a cordon of tanks and soldiers shouting "resign, resign!"

The opposition parties, which consist of the National Peasant Party, the National Liberal Party and the Social Democratic Party, and student groups, accused Front leaders of betraying the revolution by clinging to Communist methods.

As banner-waving demonstrators climbed on to armoured cars outside the Front's offices in the old Foreign Ministry, Mr Iliescu and his negotiating partners appeared on the balcony to address the crowds.

"We appeal to reason," said Mr Iliescu. "We are having a dialogue with all the political parties and the solution can only be found through this dialogue, not through pressure. We don't want to fragment the nation."

Mr Iliescu, who made a similar appeal on television earlier, is facing demands that the Front should stand down and make way for a multi-party Council of National Unity until elections later this year.

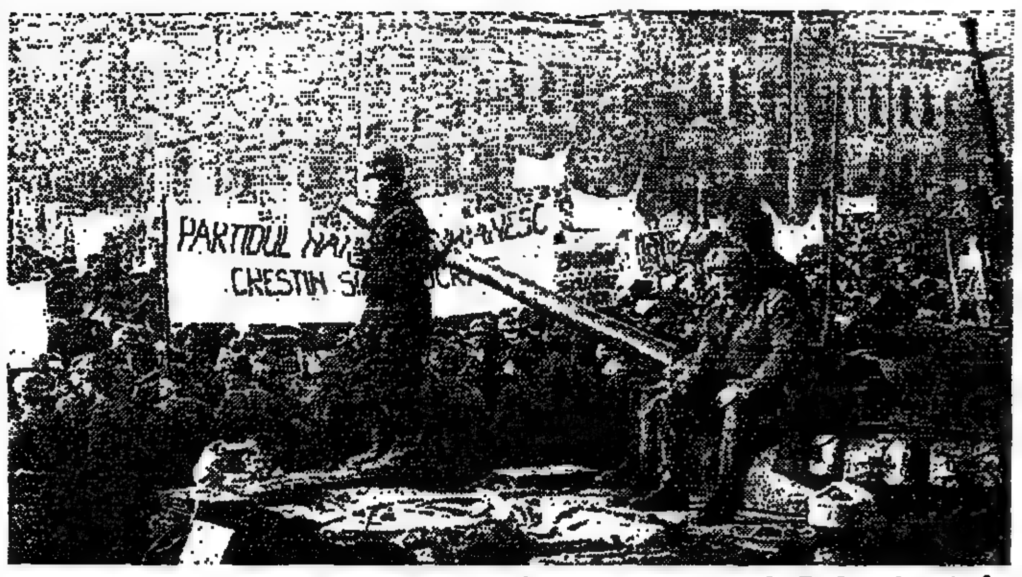
The latest government crisis began last week when the Front announced it would field its own parliamentary candidates, which outraged the other parties. They wanted the Front and its former Communist leaders to remain as a neutral interim administration to usher in Western style democracy.

There were chaotic scenes on the balcony and on the ground yesterday as Romania's unfinished revolution continued to run its course. Different participants in the negotiations grabbed the microphone to address the rival factions in the square but they were unable to restore order.

Groups of factory workers shouted support for Mr Iliescu, while their opponents accused him of being a Communist. "Prepare the helicopter," they cried, recalling the late Ceausescus' hurried departure from the city centre on December 22.

They carried banners referring to the government as the "Nomenklatura Salvation Front," and chanted "olé, olé, olé, the Front is the Romanian Communist Party," a new version of the revolutionary theme song "olé, olé, olé, Ceausescu has gone away."

Several senior Front figures – including Mr Dumitru Mazilu, the vice president – have already been purged to give the Government a better image. He accused the Front of Stalinist methods but is himself disliked for his Communist past. Yesterday the anti-Government protesters shouted slogans against Mr Sylviu Brucan, another ex-Communist Front leader



Tens of thousands gathered outside the seat of interim government in Bucharest yesterday protesting at its policies: the building was being protected by tanks and armed soldiers

Alaskans may take Exxon to court

By **David Thomas** in Anchorage

ALASKAN authorities are threatening to take Exxon, the US oil company, to court if it refuses to continue efforts to restore the 1,000 miles of Alaskan coastline damaged by the worst oil spill in US history.

The threat comes on the eve of the trial of Mr Joseph Hazelwood, captain of the tanker Exxon Valdez, which spilled almost 11m gallons of oil off Alaska last March. The trial is due to open in Anchorage today amid mounting pressure for Exxon to continuing its clean-up operation.

Exxon, which last week increased to $1.38bn provisions against its 1989 earnings to help pay for the Alaskan oil spill, has not announced whether it will resume the clean-up when weather conditions permit in the spring.

Exxon's oil spill centre in Anchorage will not be drawn on whether the company will resume this exercise beyond reading a prepared statement: "If it's concluded that further shoreline treatment is required, Exxon will take appropriate action steps as weather and safety conditions permit."

The US federal and state authorities involved in the clean-up want Exxon to continue. The Anchorage office of the US Coastguard, the leading federal agency in the clean-up operation, says it is most likely to ask Exxon to resume clearing up the mess, while the Alaskan state authorities are assuming that Exxon will be returning.

"If Exxon tries to get off the hook, we will look at legal means to force them back," says Mr Steve Provant, the State of Alaska's clean-up co-ordinator.

Even if Exxon bows to their wishes, there is likely to be considerable controversy about what form the next stage of the clean-up operation should take.

Mr Hazelwood's trial, which is expected to last several weeks, will centre on the issue of who should bear direct responsibility for the disaster.

But environmental groups are likely to raise the wider question of the future of Alaska's oil-fouled environment against the backdrop of the trial.

Exxon's clean-up operation involved 12,000 people, 1,400 vessels and 85 aircraft at its height in the summer. It was wound down for safety reasons in the autumn when the fierce storms which buffet the Alaskan coast in winter began.

Scientific teams from Exxon and the authorities are monitoring polluted areas throughout the winter. The State of Alaska's oil spill response centre in Valdez says two main problems remain.

First, more than 100 beaches sheltered from the cleansing affect of the winter storms still have considerable oil on their surfaces. Second, the gravel and cobble beaches along Alaska's shores have soaked up large amounts of sub-surface oil.

However, a commitment by Exxon to remove sub-surface oil would inevitably add considerably to its Valdez bill.

Exxon is negotiating compensation claims with the hundreds of fishing and tourist businesses dotted round Prince William Sound and the rest of the polluted shoreline. Many individuals and organisations have also filed lawsuits.

Exxon, which fired Mr Hazelwood shortly after he was held responsible for running the Valdez on to Bligh Reef in Prince William Sound, has dissociated itself from his trial. The company says the trial is of a private individual who no longer has any connections with Exxon.

BAe to develop links with Daimler-Benz

By **Charles Leadbeater and Paul Betts** in London

BRITISH Aerospace plans to broaden its activities by deepening its relationships with its international allies, including Honda of Japan, Daimler-Benz of West Germany and Thomson-CSF of France, according to Professor Roland Smith, the company's chairman.

He also raised the possibility that the company might follow other major manufacturers such as Ford and McDonnell Douglas by diversifying into financial services.

Prof Smith said the company had to keep moving forward to internationalise and diversify its operations to reduce its reliance on the UK defence market.

He confirmed that BAe was interested in developing closer links with Daimler-Benz. Such a link would have far-reaching implications for the shape of the European defence, engineering and aerospace industries by hastening its cross-border concentration.

He said: "We are getting closer to Daimler-Benz. Our businesses are complementary."

Daimler-Benz has already said it would be interested in acquiring a stake in BAe. Prof Smith said he did not see any objections to international investors acquiring stakes in the company.

He said the two companies first had to develop a way of working together before moving on to the next stage of collaboration. The two companies, among the most powerful in Europe, shared common approaches to business, Prof Smith said.

The arrival of Daimler-Benz within the four-nation European Airbus aircraft consortium, through its acquisition of Messerschmitt-Bölkow-Blohm (MBB), the West German aircraft manufacturer, would give added impetus to efforts to transform the group into a more profit-oriented enterprise.

Prof Smith said he was keen that BAe should develop into a fully European company. However, he also said BAe was looking for opportunities to expand in the US, through a link-up with a US company rather than through acquisition.

He said the BAe's diversification, through its acquisition of the Rover car group, its growing involvement in property development and personal telecommuncations, would continue : "We will be adding more things to the group."

This may include considering developing its own financial service activities. Prof Smith said: "We are good at pension fund management and money broking.There are all the makings for that kind of activity which should add to our businesses and could feed on aviation and motor."

Sense of agitation, Page 18

Protests halt work on Soviet radar station

By **John Parker** in Moscow

WORK on a large military radar installation at Mukachevo in the Soviet Ukraine on its western border with Hungary has been halted after public demonstrations about its environmental hazards.

The protests are a further indication of growing anti-military sentiment in the Soviet republics.

At the same time, the government newspaper Izvestia has said that the nuclear power plant at Chernobyl, also in the Ukraine, which suffered a meltdown in April 1986, is threatened with closure.

Last autumn, the local population began demonstrating when they found out that the Defence Ministry wanted to build the plant in an area which is already thick with military bases. They claimed that the plant's electromagnetic waves would affect health and harm the region's water supply.

Another radar installation near Krasnoyarsk was also closed last autumn after public demonstrations.

The western Ukraine is fertile ground for the recently-legalised Uniate (Catholic) Church and for Rukh, the increasingly powerful Ukrainian nationalist group.

One of the main organisers of the three-month campaign of demonstrations in Mukachevo was Mr Yaroslav Karechak of the Ukrainian Helsinki Union, a group which is closely connected to Rukh.

On January 21, Rukh manifested its growing popularily in the republic by organising a human chain to link Lvov, main city of the western Ukraine, with Kiev, the republic's capital 300 miles away.

Last weekend, the regional Soviet (council) of Mukachevo decided to veto the radar project although their decision must still be ratified by the Supreme Soviet, the parliament in Moscow.

Public pressure is also increasing at Chernobyl where a reactor was closed for repairs on Friday after "malfunctions."

At a press conference, members of the plant's administration and the nuclear power ministry tried to allay public fears by describing new safety precautions which require reactors to be shut down in an emergency. The old emergency procedures did not do this.

Russians call for troop withdrawal, Poland's Communist Party splits, Page 2

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	16	61	Dubrovnik	F	14	57	Malta	S	16	61	Rhodes	S	17	63
Algiers	F	16	61	Edinburgh	S	4	39	Manchester	C	4	39	Rio de J'o	F	36	97
Amsterdam	C	7	45	Faro	C	13	55	Manila	C	30	86	Rome	C	15	59
Athens	S	16	61	Florence	C	14	57	Melbourne	F	20	68	Salzburg	C	10	50
Bahrain	R	15	59	Frankfurt	C	9	48	Mexico City	–	–	–	San Francisco	S	4	39
Bangkok	F	33	91	Funchal	C	14	57	Miami	S	23	73	Seoul	C	2	36
Barcelona	F	14	57	Geneva	R	10	50	Milan	Dr	6	43	Singapore	F	30	86
Beirut	–	–	–	Gibraltar	F	13	55	Montreal	S	5	41	Stockholm	C	1	34
Belfast	F	3	37	Glasgow	S	6	43	Moscow	C	1	34	Strasbourg	R	7	45
Belgrade	F	15	59	Guernsey	F	9	48	Munich	F	11	52	Sydney	C	28	82
Berlin	R	5	41	Helsinki	Sn	-3	27	Nairobi	–	–	–	Taipei	R	18	64
Biarritz	R	9	48	H. Kong	C	19	66	Naples	S	17	63	Tangier	C	12	54
Bombay	S	29	84	Innsbruck	C	12	54	Nassau	F	29	84	Tel Aviv	F	14	57
Bordeaux	C	10	50	Inverness	C	3	37	New Delhi	S	21	70	Tenerife	C	17	63
Brussels	F	7	45	Islamabad	C	15	59	New York	S	4	39	Tokyo	S	7	45
Budapest	C	6	43	Istanbul	S	12	54	Nice	C	11	52	Toronto	F	-1	30
B Aires	F	34	93	Jakarta	R	29	84	Nicosia	S	16	61	Tunis	F	16	61
Cairo	F	17	63	Jersey	R	9	48	Oporto	S	11	52	Valencia	C	14	57
Cape Town	S	33	91	Jo'burg	C	23	73	Oslo	Sl	2	36	Venice	C	8	46
Caracas	C	25	77	Lima	F	25	77	Paris	S	8	46	Vienna	F	4	39
Casablanca	R	11	52	Lisbon	S	11	52	Peking	Sn	-4	25	Warsaw	S	5	41
Chicago	F	-5	23	London	F	8	46	Prague	C	2	36	Washington	S	3	37
Cologne	F	9	48	Los Angeles	S	11	52	Reykjavik	S	-2	28	Zurich	F	8	46
Copenhagen	R	4	39	Luxembourg	C	6	43								
Corfu	F	17	63	Madrid	F	7	45								
Dallas	C	8	46	Majorca	C	17	63								
Dublin	S	5	41	Malaga	Dr	10	50								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Victory for Lafontaine

Continued from Page 1

the "open arms" policy towards Germans in East Germany and other parts of Eastern Europe. This is thought to have played an important role in keeping down support for the Republicans.

However, his triumph in Saarland is not a guide to national political trends. The former coal and steel region remains a relatively depressed and marginalised part of West Germany, despite some improvement in its economic condition in the past few years.

Mr Lafontine, as the probable SPD chancellor-candidate, has thus been propelled by cross-party regional pride.

His personal dominance of Saarland has been compared with that of the late Mr Franz-Josef Strauss over Bavaria. But, like Mr Strauss, he is regarded as a polariser of opinion in national politics. In national opinion polls the CDU remains two points ahead of the SPD on 41 per cent.

The CDU in Saarland complained that local issues were overshadowed by the chancellor candidate theme.

Death toll rises after fresh unrest in Kosovo

By **Judy Dempsey** in Vienna

AT LEAST 14 ethnic Albanians were killed at the weekend as violence continued in Yugoslavia's southern province of Kosovo.

They died after clashes between the police and thousands of ethnic Albanians, who are demanding free elections, the release of all political prisoners, the end of the state of emergency and the province's right to regain its autonomy from the republic of Serbia.

In further protests yesterday, witnesses said up to 7,000 demonstrators clashed with police in Suva Reka, about 270km south of Belgrade, and about 1,000 people had taken to the streets in nearby Dragaz.

So far the federal Communist Party and state leadership have not issued any formal statement about the clashes. Both still regard Kosovo as an purely internal affair for Serbia whose president of which, Mr Slobodan Milosevic, remains determined to rule Kosovo.

Serbia regained direct control of the province in late 1988 after sweeping constitutional amendments to the Serbian constitution which allowed the republic to rule the province directly. Kosovo had been granted autonomy from Serbia in 1974.

Within Kosovo a group of prominent ethnic Albanian intellectuals who belong to the Democratic Initiative and the League for Human Rights, two independent political movements, appealed to the population to refrain from violence.

They said it would only provoke the hard-line Serbian leaders in Belgrade into adopting tougher measures against the province and would in turn further strain the tense relations between the ethnic Albanian majority and the small Serbian minority.

Kosovo's ethnic Albanians also want an end to all emergency measures imposed on the area after ethnic unrest a year ago. Most of the measures were eased in June, but a ban remains on political protests.

Mr Milosevic justified imposing Serbian control over Kosovo on the ground that the ethnic Albanians had for years discriminated against the Serb minority, which in the end forced them to leave the province.

Yesterday, some of the 200,000 strong Serbs minority which who live in the suburbs of Pristina, the Kosovo capital, said they needed arms to defend themselves against what they termed "the ethnic Albanian terrorists and nationalists".

The deep resentment and continuing ethnic tension between the communities may force the pro-Milosevic party leadership in Kosovo to step down in favour of a more sympathetic leadership.

If the leadership resigned, it could precipitate the downfall of Mr Milosevic who, with the support of nationalist Serbs, has based his political career on controlling Kosovo.

Kosovo has for decades been torn by tension between its 1.7m mostly Moslem ethnic Albanians and 200,000 Christian Serbs and Montenegrins.

More than 40,000 Serbs have fled the province in the past 10 years, saying the Albanians were terrorising them into leaving.

THE LEX COLUMN

Quick ways to trap insiders

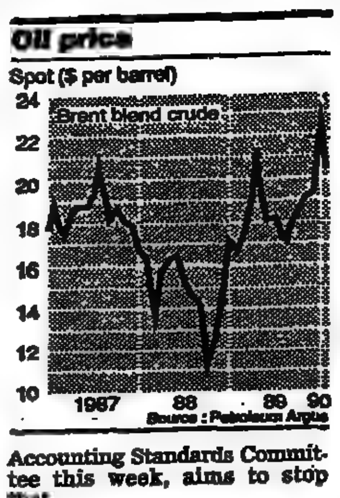
In the US, they made insider dealing a crime in 1934. But even the SEC's powerful legal brains have not worked the whole thing out yet, judging by the fact that Congress had to pass more legislation just 15 months ago. So it may be unrealistic to expect anyone to come up soon with a definitive solution to the problems British regulators have in stamping the practice out. If one looks just at four UK bids in late 1989 – AMP/Pearl, Pembridge/DRG, Vickers/Ross Catherall, and Kingfisher/Dixons – the target's shares outperformed sharply before the initial announcement. In themselves, such movements are not necessarily evidence; but it is hard to recall any bid where there was not such a run-up, and that is *prima facie* very worrying.

A wholesale overhaul of the anti-insider dealing system may not be the answer: look at the over-ambitious Financial Services Act. But one can see scope for piece-meal changes to encourage the City, public companies, and investors, to assist investigators. An object lesson is last November's case involving Combustion Engineering. When the SEC started alleging insider dealing, prior to Asea-Brown Boveri's takeover of CE, ABB itself took the initiative, and unmasked the culprit. The moral is that swift action by the injured parties – and ABB presumably felt itself to be injured – may be the best remedy.

One option is a reward system, to encourage people to come forward with information; a sneak's charter, and there is nothing wrong with that. Another would be to give proven victims of insider trading the right to civil damages. Companies and merchant banks could be encouraged to make people in the know about deals sign cast-iron confidentiality agreements; and the Stock Exchange and DTI could publish routinely the results of *all* their investigations, whatever they lead to.

Property profits

Throughout the 1980s, Britain's retailers and brewers have acquired the habit of smoothing their earnings growth with the judicious use of property profits. Some of them may be in for a shock. Companies like Whitbread or Kingfisher – to pick two at random – make the most of these profits by taking them against the original cost of the property, even though it has long since been revalued in their books. A new exposure draft on accounting for fixed assets, being discussed by the



Accounting Standards Committee this week, aims to stop that.

It is now proposed that whenever property has been revalued, the new value must be used for calculating profit on disposal. At a time when market values of both shops and pubs are in decline, this could bring property profits to an abrupt halt. And a good thing too. Goldman Sachs calculates that in 1979 every £1 invested in retail shares bought an average 95p worth of property. But most retailers spent the 1980s flogging off their premises to finance their growth, so the figure is now half that. This process being obviously finite, it scarcely belongs in the profit and loss account.

The brewers, by contrast, would argue they are merely turning over their portfolios. If so, they are paying the same higher prices for their new pubs as they are getting for the old ones. The resulting inflationary gain, if not actually illusory, is certainly of less quality than that derived from pulling pints.

Not all property profits are like this. Most retailers and brewers have developed a sideline in genuine property development, which is a legitimate source of income because repeatable. But a reduction in profits from sitting on bricks and morter would be a welcome development, not least to those analysts whose tedious job it is to adjust them out of existence.

Oil

There seems to be a consensus developing among analysts that the oil price is beginning a steady uptrend. That might appear to the cynical as a sure herald of a sharp price fall. If the weakness in the US economy starts to affect the rest of the world, then oil demand could be severely dampened. And the OPEC meeting in March could be tempted by the recent price spike into increasing production.

But the arguments in favour of higher prices seem impressive. In the short term, the market should be supported by the fact that inventories were reduced in the US cold spell and will need to be rebuilt. For the year as a whole, non-Opec oil production seems set to be hampered by the Eastern bloc's problems and by a steady decline in US output. And longer term, most OPEC members are producing at near maximum capacity; the few that can expand ought to be in a strong position to control the market. Last week, the chairman designate of BP predicted a supply/demand crunch in the near future.

The bullish consensus has worked its way though to UK oil company shares, which have outperformed the All-Share by 12 per cent since last August. One estimate puts 7 per cent on BP's net income for every $1 per barrel increase in the crude price. But if oil prices are really set to increase faster than inflation, the upside could be even greater; measured against the market overall, the sector is still 13 per cent down on its level in September 1983 and more than a third lower than its peak in 1979/80.

Satellite TV

Will Mr Alan Bond be able to break even on the sale of his 37 per cent stake in BSB, or even make a modest profit? It is a question which is not only of interest to Mr Bond and his bankers. The fact that Mr Bond badly needs the cash does not strengthen his bargaining position. But Mr Bond is still far and away the biggest shareholder in BSB, and it is in the interests of the other nine shareholders to see his stake sold well.

If it had to be sold at a substantial discount to its £155m cost, it would not send a particularly confident message to BSB's own bankers, or even shareholders of a capital hungry company like Granada. In the worst case scenario, Granada's total exposure to BSB could be the equivalent of a third of its own net worth. Admittedly, Granada's investment in France's Canal Plus – Europe's largest pay TV channel – was extremely profitable. It invested £3m and sold out for £23m, two years later. But it is going to be a very long time, if ever, that BSB is as lucrative an investment. Meanwhile, Granada's shareholders might like the reassurance that their BSB stake has not shrunk in value, before nodding through the BSB funding package.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday January 29 1990

INSIDE

Bridges across the currency gap

Don't go rushing into eastern Europe. This was the message driven home last week by the chairmen of Midland, Lloyds and Chase Manhattan banks. The caution that they urged underlines the enormous difficulty that the emerging democracies will have in priming their economic pumps. And for that they can blame the Third World debt crisis which has scarred a whole generation of bankers. But there is a way in which banks can play a useful role in facilitating the flow of goods and know-how from West to East: by trying to devise ways of overcoming the East-West currency gap, writes David Lascelles. Page 38

Finalising the sea change

Sea Containers, the shipping group headed by Mr James Sherwood (left), is likely to finalise the details of an agreement with Temple Holdings tomorrow over the sale of some of its ferries and container businesses. The company will present a recapitalisation plan to shareholders a few days later. Temple, jointly owned by Stena, the Swedish shipping operator, and Tiphook, the UK container rental group, has been battling for control of Sea Containers since May 1989. Page 26

The reshaping of Enimont

The future assets, ownership and industrial strategy of Enimont, Italy's public-private chemicals joint venture, are to be reviewed and if necessary renegotiated. The Italian Government's inner cabinet has set up a special working group under Mr Giulio Andreotti, the Prime Minister, to lay down the broad lines of approach to be pursued by ENI, the state energy group which, in common with Mr Raul Gardini's Montedison, controls 40 per cent of Enimont's stock. Page 25

Ross rights to fund acquisitions

Ross Group, formerly Ross Consumer Electronics of the UK which was taken over by its management last October, is planning a radical restructuring by means of two acquisitions and an £8.5m rights issue. Its shares were suspended last Friday pending shareholder approval of the deals. The proposals include the purchase of Giltpack, a specialist packaging company, and Wesglade, a components manufacturer, for £8.5m. Page 26

Market Statistics

Companies in this section

Up to BAT at the bottom of the first

Nikki Tait on the start of Axa-Midi's nine-state legal battle for the right to acquire Farmers

Mr Claude Bébéar, chairman of Axa-Midi Assurances, France's third largest insurance company, pursed his lips in Gallic disdain. "This," he muttered darkly, "is not the point."

The Axa chairman had just weathered two hours of cross-examination by Mr Ron Rolfe, a suave New York lawyer from the high-powered firm of Cravath Swaine & Moore. Axa is seeking clearances from nine US state insurance commissioners to buy Farmers Group, the US insurance subsidiary of BAT Industries, for $4.5bn if Sir James Goldsmith's Hoylake consortium can make a successful bid for its UK parent. Illinois is the first state to hear the arguments.

Mr Bébéar – good on expounding strategy but rather thin on detail – outlined the proposed deal as a significant move, doubling Axa's size and giving the company its first major US presence. Mr Rolfe, by contrast, had more mundane matters in mind – Axa's patchy US record to date, its links with the Italian insurer Generali and the nitty gritty of certain deferred profit-sharing arrangements.

Bizarre though it may seem, this battle of wits on the tenth floor of a downtown Chicago skyscraper is where the Goldsmith effort to take over BAT has ended up.

It is an odd scene. One wall of the spacious hearing room is piled high with cardboard boxes, containing the innumerable pieces of paper filed in the course of the regulatory process. Already, Mr Mark Wood, a more avuncular lawyer from O'Melveny & Myers, which represents Axa, has joked about the floor weight limits being stretched to breaking point.

At the front of the room, a gaggle of legal representatives from more than half a dozen firms make their submissions in quasi-judicial fashion. If the Goldsmith effort to acquire BAT is not finally to bite the dust, what happens in Chicago is crucial. While Hoylake and Axa need clearances in all nine states where Farmers is represented, Illinois and California are of particular significance.

Illinois, regarded as having a relatively well funded and highly professional insurance department, has given both parties wide discovery powers. Evidence submitted here will be used in transcript form in later hearings.

California, meanwhile, is the state in which Farmers is based and conducts the largest single slice of its business. The California hearing has been brought forward to February 13 and its decision – due in April – will give a signal to other states, suggest some observers.

Even California, however, will depend on Illinois' evidence so the Hoylake/Axa and BAT/Farmers attorneys are making Herculean efforts to get the words they want onto the record.

Some of the arguments being heard in Chicago are about matters of substance – genuine concerns such as Axa's financial standing and management capabilities, whether its tax arrangements will damage Farmers, and not least whether there is any chance that the Axa/Farmers deal would fall through after a successful bid by Hoylake for BAT. Another large part, however, is public posturing.

This is where personalities come into play. Over the past few days, Mr Bébéar has utilised an ample supply of restrained Continental charm. When his cross-examination finished on Friday, he toured the room in a courteous hand shaking session, giving the impression that five days in Chicago had established lifelong friendships.

And his evidence, given entirely in English, has even incorporated odd moments of mischief. Mr Rolfe, persuing a particular area of backstage French politicing, asked Mr Bébéar whether he regularly lunched with a certain business associate. "No," remarked Mr Bébéar, with the air of one stating the obvious. "He's a vegetarian." Mr Pierre Baberis, Axa's deputy chairman who took over the witness stand from Mr Bébéar and who will address the fraught financial questions, may not be so subtle.

He and Mr Rolfe already crossed swords on Friday afternoon. Discussing the ramifications of French capital gains tax on potential Axa asset disposals, the Farmers lawyer questioned whether the long-term rate (used when assets had been held for over two years) would apply. "Yes, thanks to the efforts of Mr Rolfe and his associates," thundered Mr Baberis. "Strike that testimony as unnecessarily acidic," snapped Mr Rolfe.

All this has made last September's ruling by Britain's Takeover Panel that Hoylake could renew its bid within 21 days of receiving US clearances for the Farmers deal appear largely irrelevant. It is now clear that the normal 12-month waiting period before reviving a lapsed bid would probably have sufficed.

The extent to which a game is being played out became even more apparent at the close of the week's proceedings. Mr Wood and Mr Rolfe marched off to establish some measure of agreement on what further documents they would send each other, what they would allow into evidence, and where and when they would facilitate the taking of yet more depositions.

Even the hearing officer – a benign retired state supreme court justice, Mr Seymour Simon – showed some signs of getting twitchy. Stressing that he did not want to curtail anyone, he asked both lawyers to consider means of speeding up the proceedings. There was, he noted mildly, "a lot of jousting going on."

All the time, everyone's costs are mounting. Hoylake said last year that the BAT battle had already cost it £30m. BAT has declined to give figures but in London last week maintained that the entire process to date proved more expensive than its acquisition of Farmers in 1988.

Mr Bébéar is equally coy. However, questions as to what Axa will do if the key Illinois and California decisions go against him receive an ambiguous response. "Unbelieveable" thunders Mr Baberis, dodging the question. "Wait and see," says Mr Bébéar more coolly.

Claude Bébéar: Gallic disdain

But this too may be part of the battle plan. Although BAT claims that Axa would get Farmers at a knockdown price under the Hoylake agreement, there must be a point at which the French company cannot afford to have its entire strategy dominated by one uncertain acquisition. There is, after all, no guarantee that a new Hoylake bid for BAT would succeed.

In the meantime, with eight states to go and plenty of cards doubtless left to play, it seems that the Cravath lawyers will just keep talking.

Distance lends perspective to the view

By Anthony Harris

A few weeks ago an American paper published a map showing the subjective geography of the US, as seen by a frequent-flying business executive. New York and its market were a main feature, as were Miami (money-laundering), Texas (for financial collapse and opportunity) and, of course, the booming West Coast. In between was a region (which happens to contain most of the farming and manufacturing of the US) simply marked "fly-over country".

Now it feels as if Britain has become a fly-over country. Certainly the Atlantic seems to get wider with every crossing. While Mr Reagan was President, Washington and Westminster were the poles of quite an intimate political alliance; and the City and Wall Street were the two time zones in the dominant financial market; but with a change of president and the end of the bull market, Britain has almost disappeared from the American mental map. Indeed, it takes a mental effort even to sustain an expatriate's natural interest in life at home.

An enforced stopover of a few days has rubbed this in. What, friends want to know, do Americans think about the resignation of Mr Lawson, or British resistance to Brussels social policy, or the threat of a Ford strike? The only honest answer is that they do not think about them at all. What is more telling, perhaps, is that few Americans realised that Mrs Thatcher had spoken in support of the US action in Panama. This intendedly staunch gesture was noted in passing, and promptly forgotten.

The new American view of Britain is part of a new view of Europe, which was seen until quite recently as a decadent theme park for American folk memories. It was centred, according to your ancestry, on London or Rome or Dublin, or any of a dozen other capitals. Now Europe is the giant of the post-historic world (adopting the rather melodramatic US view that the end of the cold war is the end of history). This stretches to the Urals, and is centred on Berlin. Britain and Ireland are two of its offshore islands, whose inhabitants happen to speak American.

To bleary European eyes, this view may look characteristically over-simple and over-optimistic; that is how we have always expected Americans to think. Certainly it seems to over-stress the importance of 1992, and understate the problems of the post-Communist transition. But just because they like to start from simple concepts, Americans are probably much better than we are at thinking about the future. If you think, as they do, not just post-historically, but post-industrially, Europe does look full of new promise.

In the post-industrial world, knowledge is the most important economic resource; and Europe, including the ex-Communist countries, appears enviably well-endowed. West Europeans are best placed to prospect for this wealth and put it to work, but the English-speaking islanders are rather out of it.

This seems to have disturbing long-term implications for the City, whose range of expertise looks increasingly out of date. Britain may hope to remain a favourite operating base for American financial and manufacturing concerns, but will not look so good as a strategic base.

The current row about Brussels rules for capital adequacy is a minor diversion if London investment bankers are at sea in the Balkans.

However, no capital is potentially as mobile as human capital, and eastern Europe will be explored by recruiters as well as those seeking to float new enterprises. This threatens a repetition, at a lower level, of the brain drain of the 1950s and 1960s which harvested much of the fruit of British and other European investment in human resources for American benefit.

The Americans are at present obsessed with the shortcomings of their own basic educational system, and for good reason: it produces some of the worst results for easily the highest per capita outlay in the developed world. As a result American banks, insurance companies and other such enterprises are setting up branch offices here and in Ireland, to do such basic work as programming and claims processing. They find it easier to recruit literate, numerate and above all loyal staff abroad than at home.

If American employers can consistently outbid European for our home-grown talent, that surely suggests that their "over-simple" thinking is in some respects much better focused than our own. I suspect that we may learn the same wary respect for the apparently naive American obsession with green issues of every kind. There is so much immediate excitement in Europe that we may miss some longer-term tides. However, at present American greens sound not only naive but hypocritical. Here is a sparsely populated country (by European standards) which is running out of landfills, and still raising the money for the first serious effort to treat all the sewage discharged into Boston harbour. What have they to preach about? Simply the guilt endemic in a society where half the population seems to be on a diet.

Consider, however, the really appalling levels of pollution in eastern Europe; and now take account of the further pollution which is likely to be caused if they can catch up, even slowly, with western standards of consumption. Now do American obsessions seem naive – or a model of forward thinking? Indeed, it is no longer forward thinking at all to argue that in the high income countries, the problems of abundance and external cost are far more pressing that the old problems of scarcity.

Unless things have changed radically in Europe in the last two and a half years, then American business is far more conscious of these new constraints than European. Its average products are far greener, and its big corporations much better equipped with research about how to comply with worthwhile restrictions – and, just as important, how to mount a convincing case against the crankier green proposals. These are products which could sell well, and a concept which will be needed as we clean up after Stalinism.

It is true that American government action falls pathetically short of President Bush's claims to be the education President or the guardian of the environment; but he would privately admit that as long as he depends on a no-tax-increase stance to get elected, he is bound to under-perform. At least his rhetorical priorities are right, though.

Economics Notebook

German view of a united Mark

That master juggler of strategic alliances, Otto von Bismarck, said more than a century ago that the ambition of the Germans "knows no boundaries." Not even the Iron Chancellor at his wiliest could have imagined, however, a Europe where the Germans were called upon to export simultaneously to both East and West their hard-won virtues of monetary soundness and anti-inflationary rectitude.

That, effectively, is the challenge facing the Bonn government and the Bundesbank in Frankfurt as a result of the breaking of the East-West mould during the last six months. Bonn reluctantly agreed at the European Community's Strasbourg summit last month to prepare for a governmental conference at the end of this year to pave the way for (western) European monetary union.

At the same time, the upheaval in East Germany and the growing prospect of some form of German reunification have led to mounting pressure in both German states for speedy monetary union between East Berlin and Bonn.

Both the Bundesbank and Mr Theo Waigel, the Finance Minister, declared in the last few days that it is much too soon to start thinking about a fixed exchange rate between the strong, convertible D-Mark and the weak, inconvertible East Mark.

Mr Karl Otto Pöhl, the Bundesbank president is even more sceptical about the eastern variant of monetary union than he is about the western one. He summed up last week why he thinks a fixed rate for the East Mark is unrealistic. It would mean either giving East Germany "an invitation to print money" (unacceptable to the West) or else depriving East Berlin of its monetary autonomy (presumably, unacceptable to the East in any relationship with the West, short of full-scale political reunification).

Despite the official reservations, the idea of German Monetary Union is set to loom ever larger. Almost certainly, as 1990 (an election year both East and West of the Elbe) progresses, it will detract attention within West Germany from the EC's overall monetary union plans.

Calls are growing in both the centre-Right coalition in Bonn and from the Opposition Social Democrats for a fixed rate between the East and West Marks to provide impetus to economic co-operation between the two states. Companies in the West need currency convertibility and a predictable exchange rate in East Germany, so the argument goes, before they will invest.

Similarly, proponents of eastern monetary union say that East German businesses need the assurance of a stable currency before they can be motivated to move the economy towards West German-style efficiency.

Mr Tyll Necker, the president of the Federation of West German Industry, is no starry-eyed believer in an East German economic miracle. But he has put forward a four-point plan to prepare for East-West German monetary union by the end of 1992. This would involve as an interim step introducing a floating rate between the two currencies in the middle of next year. Necker also notes that the Staatsbank, the East German central bank, would have to anchor itself firmly to the Bundesbank's stability-first doctrine.

Ms Christa Luft, the East German Economics Minister, is considering a plan for convertibility of the East German Mark by end-1992 as part of a programme of gradual liberalisation. Ms Luft – a Communist – will however almost certainly not be a member of East Germany's first democratically-chosen government which will emerge after the elections on May 6.

Many of the newly-born East German Opposition groups which can be expected to participate in a post-election coalition government are a great deal less market-orientated than Ms Luft.

Against this background, it is noteworthy that the most prominent Opposition group, the East German Social Democratic Party, is also – like its sister party in the West – calling for a move to monetary union. It suggests a fixed rate of 1 to 5 – anathema, of course, to the Bundesbank.

At the heart of the discussion is an argument very similar to those heard in the debate on European monetary union: whether exchange rate stability is the precondition for economic convergence, or should be designed as the consequence of it.

Two factors clearly add unique piquancy to this particular conundrum. One is that about 2m East Germans are estimated to be ready to leave their country for the West if East Berlin fails to take the right economic policy decisions in coming months. More emigration could destabilise the economies of both states.

The other is that the result of those decisions will influence what kind of unified Germany emerges in the middle of Europe – a state which could economically dominate the continent even more than West Germany does at the moment. As GMU takes over the running from EMU in German politics, much more is at stake than merely money.

David Marsh

THIS WEEK

IN EUROPE, February begins with a dearth of data – allowing the US easily to dominate the economic scene. It releases a welter of important statistics this week, all of which is likely to point to a weakening economy.

Forecasts for the major US releases – unemployment figures on Friday, and the leading indicators on Wednesday – mean President Bush's draft Budget assessment, to be given today, is likely to be a sombre one. The Bush administration will submit its proposals for the budget deficit in fiscal 1991, based on a set of rosy economic assumptions. Analysts are expecting the budget process to be as protracted as last year's.

Looking at the US statistics this week in more detail, attention is focusing on the all-important labour market report on Friday. The statistics are expected to reflect lay-offs in car and computer industries.

Analysts believe the bond market will be on hold until this figure is published. A rising number of insurance claims for unemployment filed last month suggests that there will be no fall in the civilian unemployment rate. The rate showed a 5.3 per cent month-on-month rise in November, and is expected to increase by as much in December.

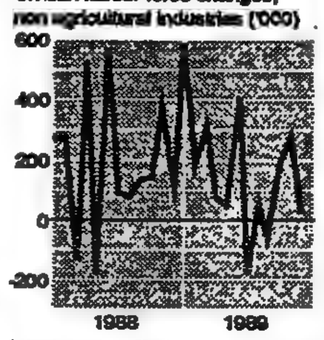
The bond market is also waiting for Wednesday's leading indicators to see whether there is a chance that the Federal Reserve will lower interest rates. The National Association of Purchasing Managers' index of the manufacturing sector's output, also out on Wednesday, is expected to fall below 50 per cent.

In the UK on Tuesday, the Treasury is publishing its Public Expenditure White Paper, giving more details of the Autumn Statement.

The Bundesbank's fortnightly council meeting on Thursday and the current round of IG Metall metalworkers pay talks continue to cause concern in West Germany.

US Employment

Civilian labour force changes, non agricultural industries ('000)



Still, it is thought that the Bundesbank is unlikely to raise interest rates while the Deutsche-Mark remains strong, and prices inflation shows few signs of accelerating.

Also in West Germany sometime this week are the visible trade surplus and current account figures for 1989.

Other events and statistics (with consensus figures in brackets from MMS International, the financial research company) include:

Today: US, personal income (0.5 per cent) and personal consumption figures for December.

Tuesday: UK, CBI industrial trends survey, final money supply figures for December. US, speech by Bundesbank President Karl-Otto Pöhl. New Zealand, trade balance for December.

Wednesday: US, leading indicators. UK, Treasury and Civil Service Committee on international debt strategy.

Thursday: US, construction spending, (up 1.5 per cent in November). Bad weather, Hurricane Hugo and the San Francisco earthquake pushed up the figure in November, so December's is expected to be smaller. West Germany, the Bundesbank council meets.

Friday: US, civilian unemployment rate (5.4 per cent) and non-farm payroll figures (175,000). UK, official reserves in January ($338,000).

INTERNATIONAL CAPITAL MARKETS

UK PROPERTY LENDING

Banks move into a volatile area

SPEYHAWK, the British property development group, has arranged a new £120m revolving credit to replace borrowing on individual projects and provide extra cash in hand. The agreements will be signed today.

The facility is the latest in a long line of bank financings for property companies. It follows another revolving credit facility for £60m provided for the development programme of Great Portland Estates, which, by the use of a swap, has fixed the interest rate at 13.25 per cent.

These two transactions illustrate how banks, both domestic and international, have replaced the insurance companies and pension funds as the most important source of property financing.

The Speyhawk facility, arranged by Barclays Syndications, has British lead banks, but is also funded by banks from Australia, Denmark, Japan and Switzerland.

In the third quarter of last year, according to figures prepared by the chartered surveyor Savills, the banks provided property companies with some £1.3bn in multiple option facilities, term loans, revolving credits and non- or limited-recourse finance. This compared with just over £1bn raised by property companies through commercial paper, bonds or capital issues.

But the pace of bank lending to property companies is slowing. The latest figures from the Bank of England, for the quarter to last November, show that the amount outstanding has risen to £31.9bn.

There has been a remarkable surge in lending since the quarter to February 1987, when the total was less than £10bn. However, in the latest quarter the year-on-year increase fell to below 50 per cent for the first time since the autumn of 1987.

This surge has been accompanied by the expression of fears that the banks are heading towards the same sort of crisis as that of 1974, when the property market collapsed. Yet, as a percentage of bank lending, the exposure of the banks to property is lower than it was in the mid-1970s.

The commercial and economic conditions are different: there are no rent controls now, for example. And the source of the lending has changed. The main change during the 1980s has been the increased involvement of foreign banks. These now account for 42 per cent of lending to property companies, only a little less than the proportion from the UK retail banks.

Nobody is sure how patient the smaller foreign banks, recent arrivals in the property sector and probably not too experienced, will be in their approach to highly-geared companies caught by high interest rates and quieter demand.

Fears that they might depart the scene as quickly as they arrived were behind last October's injunction to the banks from Mr Robin Leigh-Pemberton, Governor of the Bank of England. He told them, as he had also done in the summer of 1987, to be prudent.

His timing was strange because, for months before, banks had been looking much more closely at property lending proposals than in, say, 1987. The banks did want to lend, but they were demanding higher fees and more consultants' reports and were widening their margins.

The banks are not as concerned about established companies such as Great Portland Estates and Speyhawk. Smaller companies, lacking the larger ones' track records, would find it difficult to obtain funds at the margin obtained by Speyhawk on its new loan: 0.75 per cent above the London inter-bank offered rate.

Paul Cheeseright

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	1,650.0	0.0	32.5	12,995.0
Prev	475.0	75.0	190.0	10,128.6
Other	1,533.7	0.0	169.4	3,002.6
Prev	1,322.6	40.9	522.9	3,327.7

Secondary Market

	Straights	Conv	FRN	Other
US$	13,691.4	935.7	4,463.4	7,187.8
Prev	10,902.5	977.9	3,622.5	6,035.4
Other	21,731.5	899.3	4,464.5	41,007.6
Prev	19,956.3	1,011.4	6,211.4	44,742.2

	Cedel	Euroclear	Total
US$	11,340.5	29,615.5	40,956.0
Prev	10,566.4	22,040.5	32,606.9
Other	27,975.6	44,833.0	72,808.6
Prev	31,256.7	45,878.7	77,135.4

Week to January 23,1990 — Source: AIBD

INTERNATIONAL BONDS

Fixed-price reofferings stir debate

A DEBATE over syndication techniques and fixed-price reoffering continues to simmer in the Eurobond market after the celebrated flop of the GMAC deal last November.

In the gaps between a dribble of recent new Eurobond issues and depressed European bond prices, underwriters have time to ponder the changing structure of their market.

Several fixed-price reofferings this year have reestablished the practice in the market after the body blows dealt by the GMAC deal, but fees have seen some erosion from their earlier levels.

Fees on the World Bank benchmark deal of $1.5bn – one of the market's first fixed-price reofferings – were established between 32½ and 37½ basis points, but subsequent issues of this structure have been less generous.

The going rate for well-known names has dropped to 25 basis points for a five-year deal and 30 points for a 10-year issue – anything below this level can meet resistance. But this is not necessarily a result of the new syndication methods, as fees have been under pressure for some time.

The plain dollar deals have seen most of the erosion in fees as underwriters add little value to these types of issues. Syndicate managers are still on the look-out for a twist to a deal which will yield a premium.

For example, Bankers Trust charged 1⅞ per cent fees for a recent issue it managed for Swedish Export Credit, where redemption was linked to the German FAZ market index. In addition, the group plans to charge 2 per cent fees for a deal in the pipeline which will link redemption to a basket of French, Dutch and German stock indices.

One of the overwhelming advantages of fixed-price reoffering is the discipline it imposes on syndicate groups and the consultation it offers between houses selling the bonds.

When UBS Phillips & Drew brought an Ecu500m issue for the European Investment Bank to the market a couple of weeks ago, its decision to launch it as a fixed-price reoffering took the market by surprise.

It was one of the first Ecu deals to be offered by this kind of technique and was unusual as a fixed-price reoffering because a large retail contingent would be buying the bonds. For this reason, UBS kept the bonds in syndicate for 24 hours to ensure the deal's success.

Although it was not an easy market to launch in, the bonds sold well and UBS was pleased with the way the issue was received. The syndicate group for the EIB bond was a small one, consisting of 12 to 14 underwriters, while under traditional methods of syndication the group would be almost twice that size.

The small syndication groups help managers impose the sort of syndicate discipline which is a sign of the changing market. Many underwriters relish the opportunity to comment on a deal, approach clients and give feedback on pricing, which the premarketing methods of fixed-price reofferings give them.

For the smaller houses these methods provide them with a shield against some of the more aggressive investors, who may previously have tried to beat them down on price.

Debate in the market still centres on the length of time bonds should remain in syndicate and whether bonds in a fixed-price reoffering should be sold above issue price.

UBS exerts moral pressure on its syndicate members to keep them from selling above the issue price as well as below it, as it believes underwriters should not wait for the market to move up before they sell their bonds. Similarly, UBS keeps its bonds in syndicate until they are all sold, but other houses will break syndicate sooner.

The GMAC deal highlighted difficulties over decisions on when to break syndicate, with Merrill Lynch, the issue's lead manager, choosing a middle road that pleased no one.

What is certain is that the discussions over syndication methods will continue to bubble around the market, particularly as a dearth of new issues leaves syndicate managers more time for pontificating.

Until a rash of new issues and a booming bond market divert attention away from the Eurobond market structure, underwriters will debate its significance.

Deborah Hargreaves

BANK LOANS

Courtaulds arm sets up £150m credit line

COURTAULDS Textiles, an arm of the UK chemicals and textiles group which is being spun off into an independent company, is establishing a £150m credit line from a group of international banks. The aim is to provide it with both medium-term finance and a group of relationship banks.

The five-year revolving credit, arranged by J.P. Morgan and now being syndicated, pays a facility fee of 12½ basis points (that is, ⅛ percentage point) and an interest margin over London interbank offered rates of 15 basis points.

Citicorp and BNP Capital Markets are joint arrangers of a FFr1.5bn five-year revolving credit now in syndication for Enimont, joint venture of ENI and Montedison, the Italian chemicals groups. It carries a 10 basis point facility fee and a 10 basis point interest margin.

The US bank is also launching into syndication this week a $100m financing for Smurfit Packaging Corporation, the newly incorporated US subsidiary of Jefferson Smurfit Group.

It carries a five-year final maturity and the interest margin is 17½ basis points.

Details reported in previous weeks of a financing for a leveraged buy-out of Swedish Match, arranged by J.P. Morgan, were incomplete. In addition to $409m of senior loans, there is institutional mezzanine debt of $69m with a further $69m of mezzanine held by Gillette of the US, a $49m seller note held by Stora of Sweden, and $55m of equity. The purchase price was $608m. The total financing is $717m. The difference between this and the above $651m is the consideration being paid by Gillette for the group's non-EC businesses.

The institutional mezzanine is held by Intermediate Capital Group of the UK, the Oryx Group of Japan and Copenhagen Handelsbank.

The managers met potential senior lenders last week. Bankers like the mezzanine's protection, but some are worried by the asset disposals planned for the first two years.

Stephen Fidler

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Maruzen Co‡	200	1994	4	(2¾)	100	Nikko Secs (Europe)	★
Tokai Bk.Nederland◆	100	2000	10	9½	102	Bankers Trust Int	9.186
Marubeni Int.Finance◆	100	1994	4	9⅛	101⅛	Yamaichi Int(Europe)	8.741
C.Itoh & Co Ltd◆	100	1997	7	9½	101⅝	Nikko Secs (Europe)	9.175
AUSTRALIAN DOLLARS							
Bremer Landesbank◆	40	1993	3	15	101⅞	Norddeutsche LB	14.190
D-MARKS							
Okobank◆†(e)	25	1996	6	(e)	102⅛	Mitsubishi Bank	-
Okobank◆†(f)	15	1996	6	(f)	102⅛	Mitsubishi Bank	-
Asfinag◆†(j)	300	2005	15	-15bp	100.10	Deutsche Bank	-
Autopista Vaf.Aragon◆★★†	42.4	1994	4	(p)	100.2	Bayerische Vereinsbk	-
Control Sec Plc◆	100	1997	7	8⅞	100	Sodiplc	8.875
JACC★★◆	100	1995	5	8⅛	101⅝	IBJ	7.968
SWISS FRANCS							
S'tomo Corp.Leas(i)◆★★§	100	1994	-	Zero	100	SBC	-
Yokowo Mfg.Co.(m)◆★★§	47	1994	-	¼	100	Nikko (Switz)WFZ	0.250
Tokyo Tekko Co.◆★★◆	110	1995	-	1	100	Credit Suisse	1.000
Aoyama Trading★★§◆	350	1994	-	Zero	100	SBC	-
Moon Bat Co.★★§◆	70	1995	-	Zero	100	Banca del Gottardo	-
Nakayama Steel Works◆★★◆	130	1995	-	1	120	UBS	1.000
NKK Corp(b)★★§	600	1995	-	Zero	100	UBS	-
General Elec.Cr.Corp◆	125	2000	-	7	100½	J.P Morgan Secs	-
Yaohan Dept.Store(d)★★§	100	1994	-	Zero	100	Swiss Volksbank	-
LB Schleswig Holstein◆★★	75	1995	-	7½	100⅜	Credit Suisse	7.408
Hydro Quebec◆	200	2000	-	7¼	101¼	SBC	7.071
Autobacs Seven Co(k)★★§	90	1994	-	Zero	100	Nomura Bk (Switz)	-
Bremer Landesbank◆★★	50	1995	-	7½	100¼	UBS	7.438
ECUs							
Credit Foncier(l)◆	65	1999	9.5	9⅝	97.85	J.P Morgan Secs	10.144
Electricite de France(n)	150	1991	1	11½	101.45	UBS Phillips & Drew	9.906
Toyota Motor Credit(n)◆	100	1993	3	10½	101.70	SBC	9.619
STERLING							
British Telecom◆(a)	125	1993	3	13¾	101.30	CSFB	13.198
EIB(n)◆	150	2000	10	12	100⅜	CSFB	11.934
LIRE							
EIB(o)‡◆	200bn	1997	7	(o)	100	Italian Int Bk	-
FRENCH FRANCS							
Interim CR.National◆	700	1992	2	10⅝	100⅞	Credit Lyonnais	10.120
LUXEMBOURG FRANCS							
Bremer Landesbank◆★★	300	1993	3	10⅛	101⅞	Kredietbank Int	9.508
Kredietbank Int Fin★★◆	300	1993	3	10⅛	101¾	Kredietbank Int	9.428
Skandinaviska Enskilda★★◆	300	1995	5	10⅛	101⅝	BGL	9.700
Mitsubishi Europe★★◆	300	1993	3	10⅛	101⅝	Kredietbank Int	9.478
Met.Est. & Prop Int★★◆	300	1993	3	10½	101⅞	Credit Europeen	9.749
D'Ieteren Trading B.V★★◆	300	1993	3	10⅝	101¾	Banque Gen.Lux.	9.675
YEN							
Denmark Kingdom of◆	40bn	1995	5	7	101⅝	Nomura Int	6.608
Abbey National Treasury◆	25bn	1993	3¼	7⅛	101¼	Daiwa Europe	6.669
PKBanken(c)◆	2bn	1992	2	7.15	101⅛	Toyo Trust Int	6.532
PKBanken(c)◆	3bn	1992	2	8	101⅛	Toyo Trust Int	7.375
Christiania Bank(g)◆	3.5bn	1992	2	9⅛	101⅛	Nomura Int	8.490
Christiania Bank(h)◆	700	1992	2	7½	101⅛	Nomura Int	6.879
Citicorp◆	15bn	1993	3¼	7⅛	101⅜	Nikko Secs(Europe)	6.626
Skopbank◆	10bn	1994	4	7⅛	101.50	Nippon Credit Int	6.656
State Bank of NSW◆	10bn	1993	3	7⅛	101¼	Daiwa Europe	6.652

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. †Floating rate note. ◆Final terms. a)In addition up to £250m may be issued under an exchange offer, £150m 9½% March 1993 and £100m 9¼% due July 1995. Nine new notes offered for 10 old notes. b)Yield to put 3.238%. c)Redemption linked to Nikkei stock index. Bull and bear notes. d)Yield to put 3.234%. e)50bp over 6-month Libor for 2 yrs. then 7.30% thereafter. f)70bp over 6-month Libor first year, then 7.60% thereafter. g)Redemption linked to Nikkei stock index. h)If Nikkei index reaches certain level, redemption amount fixed at 100%. i)Yield to put 3.239%. j)15bp under 6-month Libor. Call after 5 yrs at par and on coupon dates thereafter. k)Yield to put 3.228%. l)Fungible with Ecu 150m bond launched Nov.1989, issue price plus accrued interest. m)Yield to put 3.281%. n)Non-callable. o)Coupon pays 6-month Libid flat. First coupon fixed at 12.85%. Call at par in Feb.1991 and on coupon dates thereafter. p)6-month Libor. Note:Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Reasons for going against the tide

JUST a month ago, in the happy days when 30-year Treasuries still yielded 7¾ per cent, everyone thought they knew what was about to happen in the bond and money markets.

The Federal Reserve was going to ease interest rates by roughly 25 basis points monthly. The 30-year bond yield was going to fall through 7½ per cent, on the way down to 7¼.

Unfortunately, as was apparent to the few sceptics left in the market, it is usually not worth knowing what everyone knows. The question now is whether the same faithful trader's adage should be brought into action on the bullish side of the debate.

In the last three weeks practically everything that could go wrong has gone wrong for the bond market. This may therefore be an excellent time to start buying bonds.

This seems true at least from a medium-term investor's perspective, although the nimblest of traders may yet find a better entry point into the market, since the charts show that technical "resistance" for bond yields lies not at 8½ per cent but at 8¾ per cent.

However, the longest-term investors may also prefer to sit on their hands at present, since there is a good chance that yields will rise above their present levels towards the end of the year.

But for the many fund managers whose lives are chopped up into three-month reporting segments, the market's present condition may offer some tempting rewards.

The reasons for moderate optimism about the market's medium-term prospects are not simply confined to contrary thinking. In fact, from this standpoint, the level of pessimism in the market is probably not yet high enough to indicate a turning point.

Most of the recent polls of traders and investment advisers, for instance, show only neutral readings, rather than the outright pessimism contrarians like to see before a significant market turn.

Similarly, the weekend's bond comments from big Wall Street brokers reveal concern and confusion, but not despair. Most of the commentators this week seem to have decided that discretion is the better part of valour and confined themselves simply to describing the market's sickly behaviour, rather than drawing any dramatic inferences about the period ahead.

If there is one judgment which does recur often enough to be described as a consensus, it is that foreign central banks, rather than domestic conditions, are essentially to blame for the market's present plight. Mr Brian Fabbri of Midland Montagu sums up this view: "The US financial markets have begun to show their dependence on foreign capital inflows. They are increasingly taking direction from market actions abroad."

In terms of practical conclusions, this attitude seems to be something of a cop-out. The market's future direction, it implies, lies somewhere between the inscrutable path charted by the Japanese Ministry of Finance and the unfathomable course determined by the German Bundesbank.

The traders who are forced to make their predictions more specific seem to be equally ambivalent.

"The view of many is that the market is already oversold, but who is to say that it could not get more oversold," is how Griggs and Santow, the prominent Wall Street Fed-watcher, put it.

Therefore, the pointer to a medium-term rebound for bonds does not seem to be the fickle swing of market fashion. Rather the reasons for guarded optimism seem to lie in the economic and political fundamentals observable on the horizon.

The argument for buying bonds now is not that these fundamentals are particularly rosy.

The US economy appears to be accelerating, albeit from an extremely weak condition. Inflation shows no sign of falling below its long-term range of 4½ to 5 per cent.

Meanwhile, the US budget deficit seems poised to start growing again in the coming fiscal year, as economic growth does not come up to expectations and Washington runs out of budget-cutting zeal.

Indeed, President Bush's widely leaked budget plans, due to be formally unveiled on Monday, seem to confirm that the Gramm-Rudman deficit reduction law is on its way to becoming a dead letter.

As Griggs and Santow note, the Treasury's latest figures on the current fiscal year's deficit suggest a full year deficit of $152bn, exactly the same as last year's, compared with a Gramm-Rudman projection of $100bn.

As for the foreign influences on the market, the trend in the yen seems finally to have turned, exacerbating the danger that the Japanese will stay away in droves from the forthcoming Treasury refunding.

The monetary policy outlook seems no better at first sight. Neither Japan nor Germany seem likely to loosen their monetary policies, at least for the next few months. And the Fed seems to have tied its hands with hints that further easing is impossible until inflationary expectations start to abate in the bond market.

Why, then, should anyone even consider buying bonds at present? There is just one reason. With yields back above 8½ per cent for the first time since June last year, all these economic and policy risks, which the market was blithely ignoring until Christmas, are now much more fully discounted.

Inflation does not have to decline below 4½ per cent to justify 8½ per cent bond yields, and neither does the economy have to fall into recession. Thus yields at around the current level should start appealing to domestically orientated US investors.

Such yields could also withstand further setbacks for the dollar and even further rounds of monetary tightening abroad.

By the same token, the Fed could return to the path of easing sooner than many investors expect. The notion that the central bank will forego further easing because of the weakness of the bond market is simply ludicrous. It amounts to saying that the Fed is aiming for a permanent inversion of the yield curve, in the midst of a growing financial and liquidity crisis – as shown most recently by troubles at Bank of New England. This would be a sure recipe for recession, and possibly even a 1930s-style depression.

Even Mr Wayne Angell, the Fed governor who seemed to hint at this perverse policy, is likely to be just as impressed by the symptoms of recession in the equity market as by the fears of inflation among bond investors.

In any case, recent history suggests that the supposed vigilantes in the bond market will start revising their inflationary expectations dutifully downwards as soon as the Fed returns to the path of ease.

Anatole Kaletsky

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	8.19	8.13	9.75	9.92	8.00
Three-month Treasury bills	7.92	7.98	7.82	9.11	7.20
Six-month Treasury bills	8.03	7.99	7.99	9.37	7.18
Three-month prime CDs	8.20	8.12	8.10	10.35	8.18
30-day Commercial Paper	8.20	8.20	8.65	9.95	8.05
90-day Commercial Paper	8.10	8.10	8.30	10.05	8.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97¼	-1⅛	8.42	8.20	7.96
20-year Treasury	106⅞	-2⅛	8.62	8.37	8.08
30-year Treasury	104¼	-2⅛	8.51	8.27	7.97

Money supply: In the week ended January 15, M1 fell $2.9bn to $791.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	25/1/90	Average yield (%)	PERFORMANCE INDEX Last week	12 wks ago	26 wks ago
Overall	144.02	6.78	143.47	148.01	149.37
Government Bonds	142.79	6.56	141.66	148.05	149.71
Municipal Bonds	145.43	6.88	144.69	149.26	151.07
Govt.-guaranteed Bonds	147.40	6.94	147.01	150.50	152.04
Bank Debentures	140.21	6.98	140.01	142.14	143.10
Corporate Bonds	146.33	6.96	148.03	150.88	151.30
Yen-denom. Foreign Bonds	151.70	7.28	153.34	157.08	155.46
Government 10-year†	6.14	–	6.26	5.37	5.01

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Japanese take the money and run

THE GILT-EDGED securities market ended on a soggy note last week, ignoring December's encouraging trade figures and looking instead to the US Treasury market for a lead.

The market took a battering after Japanese institutional investors took profits and retired.

From the Japanese point of view, the timing was right. Many Japanese funds had built up their holdings when the yen/sterling rate was around Y225.

Last week when the rate was around Y240 – some 6½ per cent better – the time was right to cash in, especially considering the troubles Japanese institutions have suffered in the Japanese government bond market.

This raises the intriguing question of who took the stock from the primary dealers. The World Bank was mentioned as a likely buyer – it reportedly had a standing order for stock at the appropriate yield level, which was met when the Japanese sold.

The Japanese orders were fairly widely spread among market makers.

The selling, which has been going on since the beginning of the year, reached a high last week. Some suggest that the Japanese institutions have unloaded up to £1bn in January.

If this were not reason enough for the market's weakness, the statistical releases last week did little to encourage domestic investors that they should buy gilts. Moreover, on the industrial front, the Ford settlement was only good because it was not worse.

The continued upward drift in unit labour costs in manufacturing was confirmed, as was the consequent fall in productivity. Domestic investors seem justified in waiting until the true extent of this winter's rise in wage costs is known and some intelligent guess can be made about what it means for inflation through the year.

Chancellor John Major's speech to the House of Commons on Wednesday was clearly designed to influence expectations: for instance, the message on interest rates seemed to be that they would not come down for some time.

Given the Treasury's concern about the conclusions drawn about interest rates from November's trade figures, Mr Major seemed to have engaged also in a pre-emptive move to dampen expectations of an early cut in rates.

His admission that the public sector debt repayment (PSDR) for 1989/90 would be "somewhat lower" than the downward-revised £12.5bn in his Autumn Statement was in line with what many analysts had already concluded. So was his identification of the two main sources of the poorer outcome: corporation tax receipts and local authority borrowing.

The definition of "somewhat" is important to work out the 1989/90 funding equation.

Depending on the extent of overshoot in local authority borrowing and the shortfall in corporation tax receipts, it is possible to imagine situations in which the PSDR is much lower than £10bn, the figure thought by the Treasury to be the most likely outcome.

A figure much below £10bn would mean that the Bank of England could end this financial year underfunded – that is, having bought back more gilts than it needed to.

The Bank's decision to raise the Treasury Bill from £400m a week to £700m a week, from this Friday, indicated that corporate tax receipts were not as buoyant as the authorities had expected.

The decision also underlines the determination of the authorities to keep the money markets tight and the very short end of the money market yield curve as close as possible to official rates.

* * *

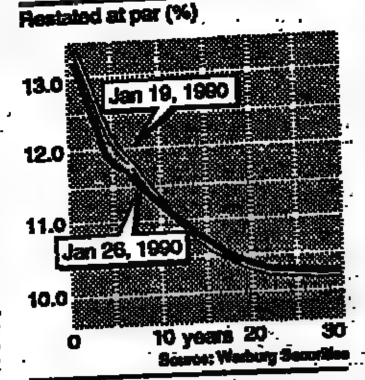
One interesting implication of the planned introduction of separate taxation for husbands and wives is that it might lead to greater private interest in gilts.

Income is paid gross if gilts are bought through the Post Office register. Two to three-year gilts are yielding around 13¾ per cent and 14 per cent – much better than the taxed rates offered by the high street banks and building societies.

Simon Holberton

UK gilts yields

Restated at par (%)



Source: Warburg Securities

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
AETNA LIFE & CAS 7⅛ 16	200	95⅝	[illegible]	8.13
AHFC O/S FIN. 11⅛ 94	100	100⅞	[illegible]	11.48
ALBERTA PROVINCE 7⅞ 92	750	97½	[illegible]	8.84
ALBERTA PROVINCE 9⅜ 95	400	101⅛	[illegible]	9.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ONTARIO HYDRO 15 92	150	112⅜	0	9.19
OSAKA PREFECTURE 9⅝ 93	140	100⅞	-⅛	9.02
OSTER KONTROLLBANK 8⅛ 93	200	97⅞	-⅛	9.02
OSTER KONTROLLBANK 9⅛ 92	200	100¼	-⅛	8.92
PACIFIC GAS & ELEC 12 00	75	110⅛	-⅞	10.39
PEPSICO INC 7⅞ 93	200	94¼	-⅛	9.45
PEPSICO CAPITAL 8⅞ 91	100	98⅞	-⅛	9.58
PETRO-CANADA 7¼ 96	200	91	-⅛	9.18
PHILIP MORRIS 9⅞ 98	200	100	-⅛	9.87
POSTIPANKKI 11⅛ 90	75	100¾	+⅛	9.15
PROCTER & GAMBLE 10 95	150	101⅞	-⅛	9.64
PRU. RLTY. SECS. 0 99	365	45⅞	-⅛	9.18
PRUDENTIAL FUNDING 7⅞ 91	150	98	0	9.17
QANTAS AIRWAYS 8⅞ 96	97	96⅞	-⅛	9.46
QUEBEC HYDRO 9⅞ 98	150	102⅞	-⅛	9.23
QUEBEC PROV 9 98	200	99	-⅛	9.17

	Issued	Bid price	Chg on week	Yield
QUEBEC PROV 13 90	180	102⅛	[illegible]	9.35
[illegible]	100	103⅛	[illegible]	9.45
[illegible]	150	104⅛	[illegible]	10.04
REYNOLDS R.J. 10⅛ 93	100	94⅞	[illegible]	12.03
RICHARDSON-VICKS 11⅛ 93	125	101⅞	0	10.77
ROCKWELL INT 9⅞ 90	200	100⅛	0	9.49
S.A.S. 10⅛ 95	150	102⅞	[illegible]	9.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Chg. on week	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EASTMAN KODAK 6⅜ 01	300	96⅛	-2	29.14
ELDERS UK 5 97	75	103⅛	-6⅛	-0.51
FUJITSU 3 99	180	228⅞	+20⅛	1.10
GOODYEAR TIRE 6⅞ 03	150	79⅛	-3	78.18
GRACE (WR) 6⅛ 02	150	90	-1⅛	31.78
GRAND MET 6⅛ 02	100	101⅛	+⅛	8.18
INTL PAPER 5⅞ 02	200	90⅛	-1⅛	20.71
KYOWA BANK 2⅛ 02	100	121⅛	+6⅛	3.21
MCA 5⅛ 02	300	94⅛	-3⅛	20.47
MITSUBISHI BK 1⅛ 02	300	107⅞	+2⅞	-0.68
TEXAS INSTRUMENTS 2⅞ 02	300	76⅞	-⅛	91.40
NIPPON ELECTRIC 2⅞ 00	150	270⅛	+31½	0.61
SAITAMA BANK 1⅞ 02	100	103⅛	+3⅛	-1.59
OMNICOM 6⅛ 04	100	102½	-1	18.28
[illegible]	175	79⅛	-⅛	9.90
RANKS HOVIS 4⅞ 05 £	59	124	-⅞	-0.44

	Issued	Bid price	Chg on week	Yield
[illegible]	452	34⅛	+⅛	-61.07
SANWA BANK 1⅛ 02	[illegible]	[illegible]	[illegible]	-2.52
THORN EMI 5⅞ 04 £	103	107⅛	+⅛	4.89
YEN STRAIGHTS				
[illegible]	20,000	99	0	7.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
CHRYSLER FIN 10⅛ 94	02/03/94	25	0	9.60
CREDIT FONCIER 10⅛ 98	07/03/93	170	0	9.30
GMAC 8⅛ 95 B	11/02/91	10	-4	8.49
HEINZ H.J. 7½ 96	01/10/90	3	-1	7.43
NORDIC INV BANK 10 96	27/03/96	42	-3	9.07
S.A.S. 9⅛ 03	03/06/91	37	-2	8.76

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JANUARY 26

Teledyne clears way for spin-off of subsidiaries

By Roderick Oram in New York

TELEDYNE, the California conglomerate, is to go ahead with the spin-off of its finance and insurance subsidiaries to shareholders. Analysts see the move as the first step in the company's break-up.

The regulatory and financial complexity of the spin-off, first proposed last year, left some investors wondering if it would happen. But Teledyne can proceed now that it has the necessary approval. For example, the Internal Revenue Service has declared the deal tax-free.

The subsidiaries had revenues of $1.1bn last year, compared with $3.5bn from Teledyne's industrial and non-financial services operations.

The insurance and finance concerns will be grouped in a new company called Unitrin. As a first step in the spin-off, Teledyne shareholders recorded on February 8 will receive four new Teledyne shares for each one held. They will then receive one Unitrin share for each of the post-split shares.

Teledyne will pay a $1 per common share dividend on each pre-split share, and said it hopes to pay the same per share rate post-split. Unitrin will pay the same dividend.

Analysts said the sharp increase in dividends was a further sign that Mr Henry Singleton, chairman, and Mr George Roberts, president, were starting to break up the company to benefit shareholders. Teledyne declined to comment on its reasons for the stock split or spin-off.

Mr Singleton, who built up Teledyne in the 1960s and 1970s, is the last of the great US conglomerateurs still running the company he founded.

Swissair sees expansion after co-operation deals

By John Wicks in Zurich

SWISSAIR foresees further expansion following last year's announcements of co-operation agreements or share swaps with Delta Air Lines, Scandinavian Airlines System and Singapore Airlines.

Mr Otto Löpfe, chief executive, said negotiations for a maintenance agreement were under way with a "major East European airline." In an interview with the weekly Schweizerische Handels-zeitung, he added that the company was considering strengthening its presence in Hungary and both East and West Berlin, and increasing its flight frequencies to other destinations in the area.

Regarding this, Mr Löpfe said it would be logical to increase its co-operation with Austrian Airlines (AuA), which has close links with eastern Europe and in which Swissair has an 8 per cent shareholding.

He indicated that this could lead to co-operation between the two airlines' sales organisations, pointing out that AuA has sales offices in North America. He said the companies already planned to co-operate in building up flights to Bucharest.

A study has also been completed on possible co-operation with Finnair, which has strengths in the East and China. However, he thought it unlikely that any mutual shareholding would come about.

On the agreement with SAS, he said that, although no exact shareholding had been decided, it could be assumed that this would be in the region of 7.5 per cent.

● Lufthansa, the West German airline, had its most successful year in 1989, adds Paul Abrahams.

It carried 20m passengers, an increase of 5.4 per cent, and achieved a record load factor of 67.8 per cent. Capacity increased 7.1 per cent and sales rose 8 per cent during the year.

Cut in RJR debt rating is blow for junk bonds

By Martin Dickson

MOODY'S Investors Service, the credit information agency, has lowered its rating on some $19.5bn of debt owed by RJR Nabisco Holdings, the food and tobacco group which underwent a $30bn leveraged buy-out last year.

The decision was a further blow to the weakened US market in junk bonds.

Moody's said cash flow and profits from RJR's tobacco business might not improve fast enough to support the conversion of payment-in-kind debentures into equity in May 1993.

BZ Bank Zurich net income jumps 196%

NET INCOME of BZ Bank Zurich, a specialist broker of Swiss equities, jumped 196 per cent last year to SFr50m ($34m) compared with SFr16.9m, writes John Wicks in Zurich.

Commission income was SFr77.6m, up from SFr33.1m, and income from securities reached SFr16.3m against SFr6.1m.

Nova falls into loss

NOVA, the Canadian energy group, fell into a C$30m (US$25m) loss in its December quarter, from a previous C$108m net profit, reflecting softer product prices as well as a C$26m writedown on assets, Our Financial Staff writes.

Full-year earnings were cut to C$168m from C$374m.

Samba surges 79%

SAUDI AMERICAN Bank (Samba), 40 per cent owned by Citicorp and the largest of Saudi Arabia's nine joint-venture banks, has reported net profit for 1989 up 79 per cent to SR422m ($112.6m) after cutting loan loss provisions 44 per cent to SR102m.

Degussa lifts payout

DEGUSSA, the West German precious metals refiner, is to lift its dividend to DM11 from DM10.50 for the year to last September.

Enimont structure to be reviewed

By John Wyles in Rome

THE FUTURE assets, ownership and industrial strategy of Enimont, Italy's public-private chemicals joint venture, are to be reviewed and if necessary renegotiated.

The Government's inner cabinet has set up a special working group under Mr Giulio Andreotti, the Prime Minister, to lay down the broad lines of approach to be pursued by ENI, the state energy group which, in common with Mr Raul Gardini's Montedison, controls 40 per cent of Enimont's stock.

The remaining 20 per cent is in third-party hands after a flotation last autumn.

The need to renegotiate the founding agreement made in the summer of 1988 has been jointly forced on the Government by Mr Gardini and Mr Gabriele Cagliari, the ENI president. They decided this month to call a shareholders' meeting on February 27 to nominate board representatives of third-party private investors.

Mr Carlo Fracanzani, the Minister for State Shareholdings, then declared that any such move to place the public investor in Enimont in a minority position was not possible before 1991 under the founding agreement, and should be abandoned.

Both Mr Cagliari and Mr Gardini take a different view of the accord and of Enimont's statutes.

Behind the recognition of the need to redefine the purpose and ownership of Enimont lies a year of political interference which Mr Gardini maintains is a threat to the company's growth and development.

It is said that members of the Christian Democrat left, who include Mr Fracanzani, are thwarting a rationalisation and investment programme which will involve plant closures in the south.

In addition, Mr Gardini wants the company to alter feedstock provisioning strategy from petroleum products and towards the plastic polypropylene. This would clearly argue for the incorporation into Enimont of Himont, Montedison's US subsidiary.

As the world's leading polypropylene producer, Himont may be worth around L4,000bn ($3.19bn) and its passage to Enimont would present ENI with some financial difficulties if it were to try to maintain an equal shareholding position with Montedison.

The affair, a poor advertisement for co-operation between the private and public sectors in Italy, is also now a test of Mr Cagliari's ability to demonstrate a measure of independence of political pressures.

In a weekend statement, he insisted that ENI would handle the negotiations with Montedison and that it was up to the Government to provide "precise directions" aimed ultimately at restoring the "necessary certainties" to the Italian chemicals industry.

Lego sales rise 15% as other toy groups decline

By Xueling Lin in Copenhagen

LEGO, the Danish construction toy group, announced a 15 per cent rise in sales for 1989, gaining market share when many leading toy manufacturers had problems with falling turnover.

Excluding Lego's separate Swiss and American companies, sales were DKr3.24bn ($497m). Mr Peter Ambeck-Madsen, Lego's head of information, said that imitations had never been a serious threat and that the group was very satisfied with its increased market share, particularly in Europe.

The Lego group, one of the 10 largest toy manufacturers in the world, has had great success with its new Pirate series, launched last year. Strong growth in the US resulted from its introduction; Mr Ambeck-Madsen said it saw the greatest success for a single product line in the company's history.

In eastern Europe, Hungary and Yugoslavia showed the greatest increase in sales. Czechoslovakia and Poland also fared well. Sales to the Far East and New Zealand grew by between 20 and 100 per cent.

Production in Lego's three main factories in Denmark, Switzerland and the US reached maximum capacity last year, and the group plans to expand the plants.

Norway plans to reform bank ownership rules

By Karen Fossli

NORWAY'S Finance Ministry is expected in mid-February to propose sweeping changes concerning the ownership structure of banks, increasing foreign ownership limits from 25 to 33 per cent and allowing savings banks to become shareholder companies.

Norway's savings banks are owned by their depositors, so have been unable to issue shares to raise capital. Innovative financings have included primary capital certificates (PCCs), a hybrid share/bond financial instrument launched in 1988. By last October, five PCCs had been issued to raise about NKr350m ($54m).

Private ownership in the savings banks could clear the way for mergers between commercial and savings banks. However, an alternative under consideration, based on a Swedish model, calls for a national savings bank.

Some moves in this direction are under way. In December a merger between Union Bank of Norway, the largest savings bank, and five small to medium-sized savings banks was announced. The new bank, which will have combined assets of NKr90bn, is expected to be established from October to serve about 1m customers from 250 offices.

DTB trading gets off to brisk start

By Katharine Campbell in Frankfurt

OPTIONS TRADING on the Deutsche Terminbörse got off to a brisk start last Friday. A total of 12,006 contracts changed hands, and participants said the system had stood up well to its first test.

Turnover in the 14 blue chip option stocks was split between 8,876 calls and 3,130 puts. Siemens, in which 3,082 lots were traded, was by far the busiest contract. All stocks were traded, although in Allianz Holding, a registered security and hence more cumbersome to trade, just 24 contracts were exchanged.

Many of the trades were small although one or two considerably more substantial orders had apparently been worked through. The three big domestic banks, which made up a substantial proportion of the market, said a number of their retail customers had traded on the first day.

Premiums were said to be on the high side, but traders reckoned that the bid-offer spread in the more actively traded options had been encouraging for the start.

Coles Myer warns of fall in profits

By Chris Sherwell in Sydney

COLES MYER, Australia's largest retailer, will suffer a 10 per cent slide in first-half profits and a slowdown in sales growth, the company warned.

Mr Brian Quinn, chairman, said the group had been affected by the country's economic downturn, the domestic pilots' dispute and a transport dispute in Victoria.

Coles Myer is Australia's second largest company in terms of revenues. Smaller retailers are likely to be suffering a similar if not worse setback.

Mr Quinn said sales in the six months to January would rise by less than the rate of inflation, currently more than 7 per cent. Because of this and competition, profits for the period "could be as much as 10 per cent below the level recorded last year," which was A$243m (US$187m) after tax.

He insisted that the impact of present circumstances would be temporary. The group had implemented a stringent cost control programme, and this week's drop in domestic interest rates could help consumer confidence.

Freia makes friendly bid for Swedish confectioner

By Karen Fossli in Oslo

FREIA, the Norwegian chocolate producer and confectioner, has launched a friendly takeover bid for Marabou, its Swedish counterpart, which it founded in 1916 with other Swedish interests.

The combined group, to be called Freia Marabou, will have annual sales of some NKr5bn ($767m) and 5,300 workers. By mid-June, when the deal is expected to be settled, it will rank among Europe's top 10 chocolate producers.

Marabou is 37.1 per cent owned by Freia. The deal has been endorsed by Norsk Hydro, Norway's largest publicly quoted company, and Hershey, the large US chocolate producer, which together hold 43.8 per cent of the combined group and 33.9 per cent of the aggregate voting rights.

The offer is contingent on: changes to Freia's company by-laws, which will be voted on during an extraordinary shareholders' meeting on April 3; approval by Norwegian and Swedish authorities; and there being sufficient acceptances of the offer to give Freia 90 per cent equity ownership and voting rights.

Freia will also seek approval from Norwegian authorities to expand foreign ownership. Foreigners are currently limited to owning one third of the company.

Mr Per Throne-Holst, a member of the Throne family which founded Freia in the early 1890s, said one important reason for the move was to create a company with the strength to expand internationally at a later date.

Freia exports mainly to Denmark, while Marabou has captured market shares in Finland, Denmark, West Germany and the UK. Production overlaps would be eliminated through an efficiency plan, Mr Throne-Holst said.

Freia is offering SKr485 cash for each Marabou A share and SKr470 for each B share, with a paper alternative.

UK COMPANY NEWS

Ross restructures via acquisitions and £8.5m rights

By John Thornhill

THE MANAGEMENT team that took control of Ross Group last October is planning a radical restructuring of the company by means of two acquisitions and an £8.5m rights issue. The company's shares were suspended at 156p pending shareholder approval of the deals.

Ross Group, formerly Ross Consumer Electronics, is to buy Giltpack, a specialist packaging company, and Wesglade, a components manufacturer, for £8.5m, including the repayment of debt. The vendor is BM Group, the construction equipment distributor.

Mr Roger Shute, who led the management buy-in team at Ross and who became chairman of the headphone distribution company in November, is also chairman of BM. He took no part in Ross's board deliberations over the acquisitions and will not vote at the shareholder meeting called to approve the deals.

The acquisitions are to be financed through a 13-for-20 rights issue at 127p per share, which will raise £8.5m net.

Following the acquisitions, Ross will relocate its headphone activities from the White City industrial park in London to Giltpack and Wesglade's premises in Southampton. White City will see substantial job losses, with 43 of the 55 employees being made redundant.

J&J Dyson expands 39%

J&J Dyson reported interim pre-tax profits 39 per cent higher at £1.22m, against £873,000 last time. Mineral royalties improved from £125,000 to £216,000 and net interest received was £114,000, against payments last time of £139,000.

Turnover in the six months to September 30 for this company, which also has interests in builders merchanting, increased from £24.1m to £25.79m.

The outcome for the present year was difficult to predict, directors stated, as the manufacture of articulated trailers depended on the confidence of road haulage which had continued to deteriorate.

After tax of £355,000 (£194,000) earnings per share came out at 6.32p (4.98p). The interim dividend is being maintained at 3p.

Kromagraphic falls into red

After stating last July that the current year had started well, Kromagraphic, the third market quoted provider of design services, announced a pre-tax loss of £188,706 for the six months ended September 30, compared with a previous profit of £99,461.

Moreover, after planning to pay a 0.36p dividend as soon as court sanction for a reduction in capital was received, the board now states the present proposals will not, when implemented, create a sufficient p and l account to permit payment of a dividend.

SeaCon sale final details imminent

By John Thornhill

SEA CONTAINERS, the shipping group headed by Mr James Sherwood, is likely to finalise the details of an agreement with Temple Holdings tomorrow over the sale of some of its ferries and container businesses. The company will present a recapitalisation plan to shareholders a few days later.

Temple Holdings, which is jointly owned by Stena, the Swedish shipping operator, and Tiphook, the UK container rental group, has been battling to win control of Sea Containers since May 1989, and last week extended its $70 per share offer until February 2.

But earlier this month Sea Containers agreed a compromise with Temple. It said it would sell some of its shipping interests, including most of Sealink British Ferries, to Temple for nearly $1bn and recapitalise its remaining businesses on condition that Temple drop its bid.

BTS profit doubled

BTS, the USM-quoted vehicle part maker and office services group, more than doubled pre-tax profits to £173,000 for the six months to September 30, against £81,000 previously.

The company also announced its intention to raise £2.5m through the issue of 5.59m shares at 47p each conditionally placed with institutional and other investors; shareholders can participate on a two-for-three basis. The majority of the proceeds will be used to reduce short-term indebtedness.

Turnover for the half year increased 65 per cent to £9.8m. Earnings worked through at 1.52p (1.03p) per share. There is no interim dividend but the directors expect to pay an increased final of 0.75p.

US bank creditor of Dominion offshoot

By Clay Harris

BANK OF BOSTON is the principal secured creditor of Dominion Credit & Finance, a leasing subsidiary of Dominion International Group which followed its parent into administration last week.

The extent of the US bank's exposure is not known, but DCF's off-balance sheet debts exceed £30m. Bank of Boston could not be reached for comment yesterday. DCF, which leased "small ticket" items such as cars and boats, has separately been the subject of an internal investigation into an alleged £1m-plus fraud.

So far, Dominion and nine of its subsidiaries have been placed in administration, a procedure which gives the court-appointed accountants more leeway than receivership. Another, Sarnia Mutual Supply, has gone into liquidation in Guernsey, where administration is not an option.

Accountants from Peat Marwick McLintock were appointed to DCF and Dominion Associated Leasing while all other companies are being handled by Price Waterhouse. This is intended to avoid any conflict of interest between Bank of Boston, whose lending was secured, and the other creditors led by Royal Bank of Scotland, who were unsecured.

The latest two subsidiaries to be placed in administration were Berwin LaRoche, a UK pensions and mortgage broker, and Dominion International Europe, an intermediate company for the group's Spanish property interests. The administrators are close to finding a buyer for Berwin LaRoche.

Putting Dominion International Europe into administration will help to shelter any realised gains from tax.

Second half deficit pulls down Wilding Office profit to £0.5m

WILDING OFFICE Equipment suffered a £2.26m downturn into losses of £1m in the second half of the year to the end of September. Mr Terry Wilding, the chairman, blamed the slowing of the economy, pressure on margins and high interest rates.

The results left the full-year profit at £509,000, against £2.68m. Turnover rose to £50.55m (£41.42m) with more than half the increase attributable to recent acquisitions.

Operating costs were £49.75m (£38.81m). Mr Wilding said the main reason for the rise was the expansion programme with new shop openings and an increased commercial sales force. That was also partly to blame for the increased borrowings which resulted in the interest charge rising to £414,000 (£83,000).

At September 30 gearing stood at 70 per cent but improved cash flow since then had enabled that to be reduced.

The final dividend is being held at 2.4p, making 4.2p (4p). Earnings were 2.3p (15p).

During the year Wilding acquired Open Plan, Machineman and Typewriter Services (Sheffield). All performed to expectations with Open Plan achieving its profit target thus requiring a further payment of £875,000 to the vendors, to be satisfied by loan notes.

Seven new shops were opened, with a further three to cater for business users of computers and word processors. Wilding now has 63 shops and seven in-store concessions.

Franke offer for Carron unconditional

FRANKE Holdings, the Swiss-based holding company, is on the brink of declaring its bid for Carron Phoenix unconditional, after buying more shares in the Falkirk kitchen sink manufacturer at the revised offer price of 90p, writes John Thornhill.

Recently Franke has increased its shareholding in Carron Phoenix from 5.65 per cent to 24.06 per cent. And this, together with acceptances for a further 26.3 per cent, gives it control of just over 50 per cent.

Once confirmation of these purchases has been received – probably early next week – Franke will go unconditional on the £10.3m bid.

NEWS DIGEST

Hey & Croft dives to £1m

A substantial cut in pre-tax profit is reported by Hey & Croft Group, the East Anglian USM-quoted housebuilder, but it is holding the dividend.

For the year ended October 31 1989 the group increased its turnover by 5 per cent to £21.36m (£20.35m) and gross profit by nearly 1.5 per cent, but higher administration costs and doubled interest charges left the pre-tax outcome at £1.01m, against the £2.41m of 1987-88.

Mr Leonard Hey, chairman, said the group shifted construction in favour of the first time buyer and that softened the worst effects of the current situation.

Although earnings fell to 5.4p (12.5p) the final dividend is 1.8125p for an unchanged total of 2.8125p.

Whitegate helped by interest rise

Higher interest received of £633,000 (£149,000) left the expanded Whitegate Leisure group with pre-tax profits of £662,000 for 1989, up from £66,000. The dividend is to be 0.25p.

This Third Market listed company made many acquisitions during the period, including a move into France. It operates discos and related leisure activities, and nursing homes.

Turnover rose to £8.98m (£892,000). Central administration expenses took £1.79m (£100,000). Earnings worked through at 0.58p (0.02p).

Park Food sets its sights on £3m mark

With its interim figures, showing the usual seasonal loss, the Park Food Group is forecasting the full year's profit to be around the £3.04m earned in 1988-89.

The group's principal activity is the packing and supply of hampers, hence the seasonal trend. This time, however, the loss for the six months ended September 30 1989 had to bear the results of County Hampers, acquired in September 1988, and rose from £2.89m to £3.73m.

Sales rose from £15.39m to £17.91m. Mr Peter Sherlock, chairman, said all divisions were producing operating profits.

An unchanged interim dividend of 1.95p is declared.

Sharp decline at Cassidy Brothers

High interest rates and the delaying of orders were blamed by Cassidy Brothers, Blackpool-based toy and sporting goods manufacturer, for a fall in interim profits from £565,000 to £25,000.

Turnover for the USM-quoted company in the six months to October 31 was lower at £2.44m (£3.01m). After tax of £6,000 (£207,000) earnings per share were 0.35p (6.65p). There was an extraordinary debit of £23,000 (£14,000) leaving a loss for the period of £4,000 (£344,000 profit). There was no interim dividend.

Real Time Control falls into the red

Real Time Control ran into the red in the six months to September 30 with a pre-tax loss of £296,000 compared with a previous profit of £62,000 despite only a marginal fall in turnover from £1.84m to £1.76m. Sales of retail products had been well below expectation.

The company, which is engaged in the design, distribution and servicing of turnkey computer and terminal systems for electronic point of sale applications, said it viewed the loss for the period as a temporary situation. An improved performance was expected in the second half.

After a tax credit of £51,000 (£20,000 debit) loss per share was 3.5p (0.6p earnings). Its shares are traded on the USM.

Heavitree Brewery edges ahead 5%

The Devon-based Heavitree Brewery lifted its pre-tax profit by 5 per cent to £1.19m in the year ended October 31 1989, compared with £1.14m.

Turnover moved up 4.5 per cent to £6.57m (£6.31m). With earnings at 47p (45.1p) the dividend is raised to 15.25p (14p) with a final of 12.25p.

Accompanying the final is a special 5p, paid as interim for the current year. This is to celebrate the bicentenary of the the group's foundations and the centenary of its incorporation. The 25p shares are being sub-divided into 5p shares.

FT Share Information Service

The following securities were added to the Share Service:

Analysis Holdings (Section: Third Market).
Anglian Water (Water).
Anglo-Park Group (Property).
Atlantis Resources (Oil & Gas).
Bowater 7.75% Pref. (Industrials).
Cafe Inns (Third Market).
Chiltern Radio (Leisure).
EFM Dragon Tst. Warrants & Warrants 2005 (Investment Trusts).
Essex Furniture (Industrials).
Fast Forward Inns (Third Market).
Merlin Int. Green Inv. Tst. (Investment Trusts).
Paringa Mining & Expl. (Mines-Australians).
Prospect Inds. (Engineering).
TR High Inc. Tst. Subscription shs. (Investment Trusts).
Welsh Water (Water).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barnato Exploration, Brandon Hire, Ford Sellar Morris Properties, Haynes Publishing, Kalli Energy, Mattison (John), Tod (R. W.), TR Trustees Corp.

Finals- Bullough, Dewey Warren, Jacques Vert, TACE, Yelverton Invs.

FUTURE DATES

Interims-

Applied Holographics	Jan. 30
Mid Wynd Intl. Inv. Tst.	Feb. 12
Sanderson Murray & Elder	Jan. 31
Southwest Resources	Jan. 31
TR Far East Income Tst.	Apr. 12

Finals-

Berkeley Govett	Feb. 3
Wilding Office Equipment	Jan. 31
Wilson Bowden	Mar. 22

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	Northern Bank Ltd	15
Adam & Company	15	Coutts & Co	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Dunbar Bank PLC	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	16
Associates Cap Corp	14	Equatorial Bank plc	15	R. Raphael & Sons	15
Authority Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Bank of Baroda	15	First National Bank Plc	16	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank Credit & Comm	15	Girobank	15	TSB	15
Bank of Cyprus	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of Ireland	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of India	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Western Trust	15
Banque Belge Ltd	15	Heritable & Gen Inv Bk.	15	Westpac Bank Corp.	15
Barclays Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Beneficial Bank PLC	15	C. Hoare & Co.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	Hongkong & Shangh.	15		
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk N. East	15	Nat. Bk. of Kuwait	15		
		NatWestminster	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sharewise 8.5%. Top Tier-£10,000 + instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

FINANCIAL TIMES STOCK INDICES

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 19	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.64	81.60	81.08	81.24	81.34	81.58	89.29	81.04	127.4	49.18
Fixed Interest	90.85	90.95	91.11	91.40	91.42	91.50	99.59	90.85	105.4	50.53
Ordinary	1851.5	1835.5	1828.6	1839.6	1840.1	1868.0	2008.6	1447.8	2008.6	49.4
Gold Mines	370.9	371.5	357.2	319.2	321.8	329.4	371.5	154.7	734.7	43.5
FT-Act All Share	1158.48	1148.05	1143.55	1150.91	1153.98	1169.46	1226.83	921.22	1238.57	61.92
FT-SE 100	2314.5	2289.9	2278.6	2291.1	2297.1	2335.0	2463.7	1782.8	2463.7	986.9

WORLD STOCK MARKETS

AUSTRIA

1989/90 High	Low	January 26	Price Sch
3,600	2,100	Austrian Airlines	3,360
5,452	1,982	Creditanstalt	5,300
6,610	3,000	Goesser	5,800
32,000	13,450	Interunfall	27,000
20,400	8,390	Jungbunzlauer	17,700
815	355	Laenderbank	755
1,850	645	Perlmooser	1,680
2,860	880	Reininghaus	2,700
270	152	Semperit	192
192	76	Steyr-Daimler	160
1,260	644	Veitscher Mag	1,050
400	272	Verbund	372

BELGIUM/LUXEMBOURG

1989/90 High	Low	January 26	Price Frs.
7,000	3,850	Arbed	5,050
3,760	3,050	B.B.L	3,350
15,800	13,500	Bank Intl. à Lux	15,600
14,900	12,728	Banque Gen. Du Lux	14,850
40,000	35,000	Banque Nat Belg	35,275
16,650	13,525	Bekaert B	16,025
8,490	6,200	Ciment CBR	7,900
6,670	5,164	Cobepa	5,690
6,440	5,270	Do AFV 1	5,700
510	178	Cockerill	190
20,025	10,000	Colruyt	20,025
6,570	4,770	Delhaize	5,550
5,000	4,240	EBES	4,240
4,900	4,150	Do AFV 1	4,150
880	455	Fabrique Nat	458
1,510	1,272	GIB Group	1,320
1,530	1,270	Do. AFV	1,316
5,000	3,610	GBL (Brux)	4,400
4,900	3,825	Do. AFV 1	4,375
4,900	3,820	Do. AFV 2	4,375

FRANCE (continued)

1989/90 High	Low	January 26	Price Frs.
1,129	829	Auxiliare d'Ent	984
865	675	BIC	753
780	617	BSN	715
705	420	Bancaire Cie	584
459	293.1	BNP (Cert.Inv.)	380
767	553	Beghin-Say	739
522	385	Do. Certs	522
3,364	2,785	Bongrain	3,000
780	533	Bouygues	585
1,669	1,322	CSIP	1,412
260	198	CMB Packaging	203
3,713	2,250	Carrefour	3,398
239.8	185.9	Casino	189
860	559	Cetelem	559
1,455	987	Chargeurs	1,360
1,825	1,200	Ciments Fr.	1,438
788	493.1	Club Mediterranee	720
432	333	Colimeg	414
419.5	337	Cogifi	390.2
554	368	CGE	525
405	302	Coparex	350
1,400	701	Cred Foncier Fr	1,308
1,354	940	Credit National	1,320
4,440	2,952	Damart	3,900
5,900	2,720	Docks de France	5,050
643	447	Dollfus-Mieg	592
1,149	783	Dumez S.A.	820
2,985	1,540	Eaux (Cie Gen)	2,100
675	420.5	Ecco	461
1,199	656	Electrolux	958
549	383	Elf-Aquitaine	540
445	328	Do. Certs	420
1,511	1,034	Epeda-Bertrand	1,320
3,875	2,715	Essilor	2,730
3,099	1,941	Eternit (Fin.)	2,160
2,875	1,549	Eurafrance	2,355
2,010	1,270	Eurocom	1,850

The remaining stock tables on this page (Germany, Italy, Sweden, Netherlands, Switzerland, Norway, Spain, South Africa, Denmark, Finland, Japan, Australia, Hong Kong, Malaysia, Singapore and the Toronto closing prices) are [illegible] at this scan resolution.

CANADA

TORONTO
Closing prices January 26

[illegible]

t—No voting rights or restricted voting rights.

MONTREAL
Closing prices January 26

1279	BombrdrA	$16	15⅞	16	
8020	BombrdrB	$15¾	15⅝	15⅝	− ⅛
11360	Cambior	$17¼	16⅞	17¼	+ ⅛
7876	Cascades	04⅞	04⅞	04⅞	
18644	DomTxtA	$15	14¾	14⅞	
1670	Mecaotec	$09⅛	09¼	09¼	− ⅛
101442	NatBk Cda	$11¼	10⅞	11	− ⅛
149744	Noverco	$13½	12½	12⅞	+ ⅜
58258	Power Corp	$15¾	15½	15½	− ¼
8230	Provigo	$09⅜	09¼	09¼	− ¼
150	Quebecr A	$14¼	14⅛	14⅛	+ ⅛
6525	Quebecr B	$12¼	12¼	12¼	
6705	Videotron	$15	14⅞	14⅞	− ⅛

Total Sales 5,708,128 shares.

INDICES

NYSE Composite	188.21	189.61	182.64	183.66	199.34 (9/10/89) 154.98 (3/1/89)	199.34 (9/10/89) 4.46 (25/4/42)
Amex Mkt. Value	358.87	353.64	354.67	359.73	397.03 (10/10/89) 305.24 (3/1/89)	397.03 (10/10/89) 29.31 (9/12/72)
NASDAQ Composite	421.35	425.24	425.66	430.42	485.73 (9/10/89) 378.56 (3/1/89)	485.73 (9/10/89) 54.87 (31/10/72)

	Jan 19	Jan 12	Jan 5	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.96	3.84	3.59

	Jan 24	Jan 17	Jan 10	year ago (approx.)
S & P Industrial div. yield	3.21	3.05	2.96	3.12
S & P Indl. P/E ratio	14.09	14.39	14.80	13.40

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Telefonica	8,866,300	23	− ⅛
Citicorp	7,855,500	23	− 1⅛
Gen Cinema	7,712,200	24	+ 2
Am T&T	5,799,600	39⅝	− 2
Burlington Res	2,795,800	41⅞	− 3⅛
Merrill Lynch	2,778,000	23⅝	+ ⅛
Philip Morris	2,306,400	37⅛	+ ⅛
Gen Electric	2,219,700	62⅛	+ ½
Varity Corp	1,938,900	3⅛	+ ⅛
IBM	1,836,400	96⅛	+ 1

TRADING ACTIVITY

† Volume Millions	Jan 26	Jan 25	Jan 24
New York	199,717	172,270	207,830
Amex	15,799	11,419	18,690
NASDAQ	(u)	130,496	163,429
Issues Traded	1,964	1,943	1,984
Rises	549	521	580
Falls	949	935	1,210
Unchanged	466	487	394
New Highs	8	7	7
New Lows	155	79	197

CANADA TORONTO

	Jan 26	Jan 25	Jan 24	Jan 23	1989/90 HIGH	LOW
Metals & Minerals	3064.41	3071.85	3068.44	3090.56	3919.2 (1/9/89)	3064.41 (26/1/90)
Composite	3733.72	3749.35	3761.46	3812.68	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1876.80	1888.28	1909.57	1938.28	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

					1989/90 HIGH	LOW
THAILAND Bangkok SET (30/4/75)	858.14	846.81	858.82	875.98	918.67 (3/1/90)	386.73 (2/1/89)
WORLD M.S. Capital Intl. (1/1/70)	(u)	534.2	534.3	536.5	571.0 (4/1/90)	457.6 (13/6/89)

**Saturday Jan. 20: Taiwan Weighted Price: (c) Korea Comp Ex. 872.97
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday January 26 1990

	Stocks Traded	Closing Prices	Change on day
Hitachi	29.1m	1,800	+30
NEC	23.1m	2,040	+30
NKK	21.9m	865	−2
Fujitsu	17.1m	1,610	+30
MHI	10.2m	1,080	0
MELCO	9.0m	1,100	+10
Toshiba	8.9m	1,220	+10
Oki Electric	8.8m	1,200	−40
Cosmo Oil	8.8m	1,370	+60
Nippon Steel	8.2m	705	−2

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	+/-	Yield Gr's	Cit-line
[illegible]							

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the consumer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price at the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 5545						
American Opps	5	47.31	48.38	51.60	1.04	41506
(Accum Units)	5	48.68	49.79	53.10	1.04	41507
European Opps	5	68.69	69.09	73.68	0.00	41508
(Accum Units)	5	69.06	69.47	74.09	0.00	46366
Far Eastern Opps	5	133.68	138.94	148.19	0.00	41509
(Accum Units)	5	139.57	139.83	149.14	0.00	41510
Golden Opps	5	46.21	46.21xd	49.28	0.00	41511
(Accum Units)	5	47.53	47.53xd	50.69	0.00	46367
Intl Hi-Yield	5	57.98	58.50xd	62.39	4.39	41512
(Accum Units)	5	62.94	63.51xd	67.73	4.39	46368
Sanyo Japan Tst	5	76.45	76.45	81.39	0.00	41513
(Accum Units)	5	76.45	76.45	81.39	0.00	41514
Kangaroo	5	33.52	33.52	35.74	1.48	41515
(Accum Units)	5	33.71	33.71	35.94	1.48	46369
Oriental Income	5	34.33	34.33	36.61	5.14	41516
(Accum Units)	5	38.49	38.49	41.04	5.14	41517
Pacific Technology	5	60.75	60.75	64.79	0.00	41518
(Accum Units)	5	61.24	61.24	65.31	0.00	41519
Tiger	5	147.30	147.91	157.76	0.71	41520
(Accum Units)	5	149.59	150.22	160.22	0.71	41521
UK Hi-Yield	5	43.17	43.17	46.04	4.94	41522
(Accum Units)	5	49.36	49.36	52.64	4.94	46302
UK Opps	5	54.55	54.55	58.34	1.99	41523
(Accum Units)	5	59.16	59.16	63.26	1.99	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert Hs, Tower Rd, Washington NE37 2SH 091-415 3034						
Balanced Portfolio	6	94.00	94.00	100.0	4.00	–
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Grwth	5¼	45.12	45.12	48.12	0	41525
TR Eur Sp Sits Acc	5¼	41.12	41.12	43.81	0	41526
TR Eur Sp Sits Inc	5¼	40.32	40.32	42.96	0	41527
TR General Growth	5¼	75.62	75.62xd	80.44	2.76	41528
TR Global Tech	5¼	70.22	70.22	74.90	0	41529
TR Income Growth	5¼	89.38	89.38xd	94.02	4.40	41530
TR Income Monthly	5¼	58.43	58.43	62.15	6.75	41531
TR Japan Growth	5¼	97.32	97.32	103.3	0	41532
TR Overseas Growth	5¼	67.46	67.46	71.96	0	41533
TR Smaller Cos	5¼	83.57	83.57	88.90	2.96	41534
TR Special Ops	5¼	96.45	96.45	102.6	2.79	41535
TR Mgd Eq Plan Acc	5¼	34.23	34.43	36.62	2.29	41536
TR Mgd Eq Plan Inc		32.10	32.30	34.36	2.29	41537
TR Wrap Sp Sit Acc	5¼	37.40	37.60	39.99	0	41538
TR Wrap Sp Sit Inc	5¼	37.37	37.37	39.95	0	41539
TR Pension Portfolio						
TR American Grth ◆	6	26.91	27.27	28.91	0	46977
TR Eur Sp Sits ◆	6	32.63	33.02	35.01	0	46978
TR General Growth ◆	6	25.00	25.26	26.78	0	46979
TR Global Tech ◆	6	27.51	27.88	29.55	0	46980
TR Income Growth ◆	6	25.45	25.72	27.26	0	46981
TR Japan Growth ◆	6	30.31	30.57	32.41	0	46982
TR Mgd Equity ◆	6	26.20	26.44	28.03	0	46983
TR Overseas Growth ◆	6	28.79	29.18	30.93	0	46984
TR Smaller Cos ◆	6	19.54	19.75	20.94	0	46985
TR Special Ops ◆	6	19.67	19.95	21.04	0	46987
TR Stm Liquidity ◆	6	25.11	25.55	26.61	0	46986
TR Wrap Sp Sits ◆	6	30.28	31.28	32.60	0	46988
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 01-686 4355						
TUUT	4	249.1	254.4	267.7	2.94	41540
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn Hse, Colchester CO1 1RA 0206 764400						
Triton General	5¼	177.2	180.2	191.0	1.45	41541
Tyndall Unit Tst Mngrs Ltd (1600)F						
25 Bucklersbury, London EC4N 0800 373374						
Austral Value	5¼	44.01	44.01	46.82	–	41550
British Lion	5	89.60	89.60	94.90	2.92	41548
Accum Units	5	93.48	93.48	99.01	2.92	41549
Capital Defender	5	49.92	51.79	54.86	9.58	41542
Accum Units	5	56.71	58.84	62.32	9.58	41543
1992 Eurogrowth Acc	5¼	68.58	68.71	72.77	1.25	46673
Income	5	77.82	77.82	82.43	6.15	41544

[illegible]

	Bid Price	Offer Price	Yield Gross	City-line
J. Rothschild Fund Managers Ltd				
Intl Exempt	156.5	158.41	1.90	40172
Stewart Ivory & Co Ltd				
Saints PPP Jan 12	264.6	278.6	–	41422
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Jan 15	103.69	110.21xd	3.76	46975
(Accum Units)	104.32	110.88xd	3.76	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1080	1095	1.63	47801
TR Exempt Nth Amer	903	918	3.64	47802
TR Exempt Pac Basin	1001	1014	0	47803

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sr Jan 12	–	177.0	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop Ser 1	301.2	317.1	–	41608
Equity Ser 1	133.2	140.3	–	41609
Prop Acc Ser 2	464.4	488.9	–	41610
Equity Ser 2	154.6	162.8	–	41611
Selective Acc	348.7	367.1	–	41612

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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J. D. Ward Financial Services Ltd

9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
Target Mngd Bond	205.0	215.8	-	44591
Target Mngd Pension	127.8	134.6	-	44592
Albany Life Acc.	181.1	190.6	-	41721
Albany Pens Acc.	230.0	242.0	-	41722

Westcourt Asset Management Ltd

Weston Ter, West Bar Green, Sheffield 0742 754000

	Bid Price	Offer Price	Yield Gross	City-line
High Inc Bd (Pr Cap)	97.8		-	46442
Growth & Income (R H)	160.0	168.5	-	44596
[illegible]	169.3	178.2	-	44599
Managed (Target)	102.0	107.4	-	47264
Ultra (Royal H)	152.0	160.1	-	44597
Pension Fund (Roy H)	125.1	131.7	-	44601

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

SBV-Hambros Asset Mngmt (Guernsey) Ltd

PO Box 255, St Peter Port, Guernsey CI 0481 710461

Cigna International Fund Mngrs (CI) Ltd

PO Box 208 St Peter Port, Guernsey 0481 714315

Sterling Multi-yield Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Maximum Yield	5	£0.958	0.958	1.010	13.00	47644
Market Yield	5	£0.967	0.967	1.021	9.75	47829
Sterling Inc & Grth	5	£0.935	0.935xd	0.987	7.50	47647
Intl Inc & Grth	5	£0.933	0.933xd	0.985	6.50	47643
Intl Mngd Currency	5	£0.983	0.983	1.037	6.00	47644

JERSEY (SIB RECOGNISED)

Gartmore Fund Managers International Ltd

PO Box 278, 45 La Motte St., Jersey 0534 27535

Capital Strategy Fund Ltd (a)

	Init Charge	Bid Price	Yield	City-line
Sterling Deposit Fd	£-	1.025	14.04	45060
US$ Deposit Fd	$-	1.074	7.23	45061
DM Deposit Fd	DM-	3.271	6.29	45062
Yen Deposit Fd	Y-	519.0	5.59	45063
Swiss Fr Dep.	SFr-	5.272	8.59	45064
Aust Dlr Deposit Fd	A$-	1.154	14.35	45065
French Franc Dep Fd	FFr-	10.76	9.59	[illegible]
Nth American Fd	$-	1.68	-	45067
Japan Fund	Y-	762	-	45068
Pacific Basin Fd	Y-	331	-	45069
Int Growth Fund	$-	3.00	0.20	45070
British Fund	£-	2.42	3.00	45071
Sterling Bond Fd	£-	1.05	9.27	45072
Int Bond Fund	$-	1.31	6.44	45073
Yen Conv Bond Fd	Y-	1046	1.48	45074
European Fund	DM-	3.81	-	45075
ECU Bond Fund	Ecu-	0.98	7.99	45076
Australasian Fd	A$-	0.38	1.00	45077
Canadian Fd	C$-	0.95	1.00	45078
Emerging Mkts Fd	$-	1.19	0.50	45079
Global Resources	$-	0.82	0.70	45080

John Govett (Channel Islands) Ltd

PO Box 443, St. Helier, Jersey 0534 75141

	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Global Equity	5½	$10.16	10.16	10.27	1.6	47278
Global Bond	5½	$9.42	9.42	9.46	9.5	47279
Global Currency	5½	$9.36	9.36	9.39	8.5	47280
Global Balanced	5½	$10.02	10.02	10.09	3.0	47281
Dollar Cash	3	$9.64	9.64	9.68	8.1	47282
European Bond	5	DM13.36	13.36	13.41	7.0	47283
Dollar Bond	5	$9.93	9.93	9.96	8.0	47284
Government Bond	5	$9.89	9.89	9.93	8.0	47285
Sterling Cash	3	£4.92	4.92	4.94	13.0	47286
Japanese Equity	5½	Y1,565	1,565	1,570	0.0	47287
Far East Equity	5½	$12.17	12.17	12.28	1.0	47288
US Equity	5½	$11.12	11.12	11.23	1.0	47289
European Equity	5½	DM15.29	15.29	15.44	2.0	47290
UK High Income	5	£4.63	4.63	4.65	12.0	47291
UK Equity General	5½	£4.67	4.67	4.72	3.0	47292

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jey) Ltd (1000)F

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line

Foreign & Colonial Management Ltd
1 Laurence Pountney Hill London EC4R 0BA 01-623 4680

Foreign & Colonial Portfolios Fund

Am Smlr Cos Eqty(1-2)		$-	10.50		-	45000
Oriental Eqty(1-8)		$-	12.04		-	45004
European Eqty(1-3)		$-	14.24		-	45001
Nordic Equity		$-	14.03		-	45002
Amer Majors Equity		$-	9.14		-	45003
West Pacific Equity		$-	10.67		-	47524
Medit'r'n Equity		$-	9.51		-	47550
British Equity		$-	9.79		-	47546
US Dlr S-Term Asset		$-	9.49		8.75	47547
Stlg Short-Term Asset		£-	10.21		12.50	47553
Nth American Bond		$-	10.05		8.6	47561
Multi-Currency Bond		$-	10.50		8.60	47549
Sterling Bond		£-	9.71		10.00	47552
ECU Bond		Ecu-	10.00		-	47548

* Daily dealing

Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841

Gartmore Pantheon Fund

Nth Amer Equity		$-	1.94		-	[illegible]
British Equity		£-	1.01		-	[illegible]
Nordic Equity		SKr-	10.42		-	[illegible]
Cont l European Equity		[illegible]	[illegible]		-	[illegible]
Japan Equity		Y-	525		-	[illegible]
Pacific Equity		Y-	356		-	[illegible]
Developing Mkts		$-	[illegible]		-	[illegible]
Natural Resources		$-	2.06		-	47839
W'wide Recovery		$-	1.60		-	[illegible]
Intl Equity		$-	[illegible]		-	[illegible]
Dollar Bond		$-	1.97		-	[illegible]
Sterling Bond		£-	1.00		-	47841
European Currency Bond		Ecu-	1.48		7.33	47557
Intl Curr Bond		$-	2.05		-	47842
Dollar Reserve		$-	2.00		-	47843
Sterling Reserve		£-	1.04		-	[illegible]
Deutschmark Reserve		[illegible]	5.00		-	[illegible]
Yen Reserve		Y-	504		-	[illegible]

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462232

Henderson Horizon Fund

Japanese Portfolio		$-	15.3	16.16	-	[illegible]
Japan Smlr Cos P'flio		$-	22.33	23.59	-	[illegible]

	Bid Price	Offer Price	Yield Gross	City-line

Hill Financial Mgmt Intl Ltd

Mngd Currency	£6.604	6.930	5.99	45490

NM Portfolio Selection Fund Ltd

Conscience	£1.074	1.142	3.33	46250
Far East Grwth	$1.425	1.515	0.00	46251
Smaller Co's	£0.994	1.057	1.19	46252
Special Sits	£1.009	1.073	[illegible]	46253
Intl Bond	$0.901	0.958	5.50	46254
American Fund	$1.870	1.989	2.31	45502
American Smaller Cos	$1.178	1.253	0.00	45504
Australian Fund	£1.688	1.795	[illegible]	45506
British Fund	£1.545	1.643	5.36	45508
European Fund	£2.168	2.306	0.89	45510
Gold Fund	£0.810	0.861	0.00	45512
Hong Kong Fund	£1.539	1.637	5.49	45514
International Fund	£1.449	1.541	0.33	45516
Japanese Fund	£3.149	3.349	0.00	45518
Japan Smaller Cos	£5.354	5.695	0.00	45520
Singapore & Malaysian	£1.461	1.554	0.00	45522
Dollar Fixed Interest	$0.994	1.057	6.90	45524
Sterling Fixed Int	[illegible]	[illegible]	11.45	45526
Deutschmark Currency		DM5.038	[illegible]	45528
Dollar Currency		$1.003	4.91	45531
Sterling Currency		£1.027	10.48	45532
Yen Currency		Y200.8	1.40	45534
Managed Currency	£1.003	1.067	6.94	45536

Nikko Capital Mngt (Europe) Ltd

Japan Index Fund	Y4.082	4.122	-	45559
New Generation Fd. S.	$23.48	23.71	-	45560
Japan Index Alpha	Y12.577	12.768	-	46390
Jap Sector Rotation	Y10.373	10.503	-	47334

Stronghold Asset Mngmt (Guernsey) Ltd

Tech and Comm	£11.84	12.57	-	44712
Pacific Basin Fd	$115.88	122.89	-	44713
Western European	[illegible]	[illegible]	-	44714

Tyndall International (Guernsey) Ltd

Capital Defender	$1.24	1.31	-	45880
Hi Yield Bond	63.0	66.2	15.11	45881
Internat. Spec. Sits	53.0	55.7	-	45882
Marunouchi Fd	91.1	95.7	-	45883

U.S. Treasury Securities Fund Ltd

Short Term Shares	$690.64		-	45903
Fixed Income Shares	$802.56		-	45904

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

DUBLIN (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Attention swings to fundamentals

ATTENTION has swung backwards and forwards between political and economic events during January. The political situation in Eastern Europe and the Soviet Union is akin to a fire which, in foreign exchange terms, appears to be dying down. But there is obviously plenty of fuel available, and any sudden gust could cause the fire to again ignite at any time.

UK clearing bank base lending rate
15 per cent
from October 5

West Germany's sensitive position in Europe will give caution to the market against becoming too euphoric about the D-Mark in the near term and also reluctant to push the dollar down again. Looking at fundamentals, however, the immediate West German economic news should be good.

The most important European data this week is likely to be for German consumer prices. Estimates of the January rise are between 0.3 and 0.6 per cent, producing a fall in the year-on-year inflation rate to 2.6 or 2.7 per cent, from 3.0 per cent in December.

This suggests that the Bundesbank has no immediate need to tighten monetary stance. The central bank's action last week, in adding a net DM4.3bn to the banking system, tends to confirm that this is also the official view.

On the other hand, German engineering workers, through their union, IG Metall, are claiming a pay rise of 9 per cent and this remains an obvious inflationary threat. Any such award could bring about a rise in German interest rates, leading to upward pressure throughout Europe and renewing strains in the European Monetary System.

STERLING INDEX

	Jan.26	Previous
8.30 am	87.8	87.8
9.00 am	88.0	87.9
10.00 am	88.0	87.9
11.00 am	88.1	87.9
Noon	88.3	87.9
1.00 pm	88.2	87.9
2.00 pm	88.2	87.9
3.00 pm	88.3	87.9
4.00 pm	88.1	87.9

CURRENCY MOVEMENTS

Jan.26	Bank of England Index	Morgan Guaranty Changes %
Sterling	88.1	-23.3
U.S Dollar	67.1	-10.8
Canadian Dollar	101.7	+0.7
Austrian Schilling	109.8	+12.1
Belgian Franc	109.9	-3.3
Danish Krone	108.8	+3.6
Deutsche Mark	118.6	+25.2
Swiss Franc	[illegible]	[illegible]

£ IN NEW YORK

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

CHICAGO

[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

Treasury Bills (sell); one-month 14$\frac{1}{2}$ per cent; three months 14$\frac{1}{2}$ per cent; Bank Bills (sell); one-month 14$\frac{13}{32}$ per cent; three months 14$\frac{13}{32}$ per cent; Treasury Bills; Average tender rate of discount 14.4529 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December,29 ,1989 . Agreed rates for period January,24 1990 to February,25 , 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15$\frac{1}{2}$ from January 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11$\frac{1}{2}$ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11$\frac{1}{2}$ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.550	11.20	10.95	11.10	11.20	-	0.10	0.52	1.68
1.575	8.70	8.65	8.60	8.75	-	0.36	0.99	2.44
1.600	6.20	6.18	6.30	6.72	0.25	0.82	1.67	3.39
1.625	3.85	4.14	4.44	5.06	0.65	1.57	2.51	4.56
1.650	2.10	2.57	2.99	3.74	1.49	2.67	3.75	5.94
1.675	0.97	1.58	2.02	2.71	2.82	4.16	5.27	17.52
1.700	0.37	0.86	1.26	2.02	4.73	5.97	7.05	9.28

Previous day's open int: Calls 346,785 Puts 339,393 (All currencies)
Previous day's volume: Calls 32,159 Puts 9,869 (All currencies)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JANUARY 26 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY JANUARY 25 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	149.61	-1.2	133.90	130.90	+2.7	5.21	148.29	132.68	129.75	160.41	128.28	153.22
Austria (19)	209.20	+14.8	187.24	184.10	+15.1	1.40	206.50	184.76	181.34	219.85	92.84	96.11
Belgium (61)	149.03	-3.6	133.38	129.92	-4.3	4.31	148.73	133.08	129.48	160.02	125.58	134.89
Canada (120)	139.52	-8.3	124.87	120.62	-5.5	3.32	140.29	125.53	120.99	154.17	124.67	134.78
Denmark (36)	240.71	-0.6	215.44	214.11	-1.2	1.48	242.89	217.32	215.80	250.34	165.35	156.66
Finland (26)	146.59	+10.0	131.19	122.28	+8.1	2.55	145.64	130.31	121.73	159.16	118.63	134.24
France (125)	148.10	-5.1	132.55	133.58	-5.7	2.82	149.18	133.48	134.14	157.97	112.57	118.24
West Germany (96)	124.84	+0.9	111.73	109.88	+1.0	1.91	124.63	111.51	109.34	130.32	79.56	85.83
Hong Kong (48)	113.82	-2.8	101.87	114.04	-2.8	5.00	113.70	101.73	114.04	140.33	86.41	122.88
Ireland (17)	195.08	+7.5	174.60	175.70	+6.7	2.47	197.48	176.69	177.52	198.57	125.00	135.48
Italy (96)	97.54	-0.9	87.30	91.75	-1.6	2.50	98.43	88.07	92.27	102.11	74.97	82.81
Japan (455)	184.98	-6.3	165.56	167.56	-6.6	0.49	183.70	164.36	167.67	200.11	164.22	193.49
Malaysia (36)	225.71	-1.5	202.02	234.97	-1.3	2.28	224.30	200.69	233.54	238.21	143.35	152.74
Mexico (13)	329.36	+1.2	294.78	972.27	+1.8	0.53	327.01	292.59	964.64	337.02	153.32	162.62
Netherland (43)	135.12	-6.1	120.94	117.55	-6.3	4.57	135.79	121.50	117.79	145.66	110.63	114.80
New Zealand (18)	69.53	-3.6	62.23	62.28	-3.4	5.66	69.90	62.55	62.34	88.18	62.64	69.97
Norway (24)	213.14	+6.6	190.76	188.64	+5.6	1.44	212.76	190.36	188.43	219.26	139.92	160.65
Singapore (26)	182.15	+2.8	163.03	157.01	+1.2	1.85	181.89	162.75	157.29	189.94	124.57	136.90
South Africa (60)	230.17	+17.1	206.01	165.29	+8.7	3.37	225.08	201.39	164.27	230.17	115.35	127.11
Spain (43)	151.78	-6.9	135.85	126.02	-6.8	4.20	153.05	136.94	127.08	169.75	143.14	148.29
Sweden (35)	193.92	+1.0	173.56	176.48	+0.2	1.94	192.17	171.94	175.38	206.95	138.45	148.66
Switzerland (62)	93.16	-1.0	83.38	86.49	-3.8	2.07	94.27	84.34	86.93	99.12	67.81	76.79
United Kingdom (306)	156.46	-1.4	140.03	140.03	-4.0	4.52	155.00	138.69	138.69	164.31	133.28	146.94
USA (542)	131.83	-7.8	117.99	131.83	-7.8	3.57	132.04	118.15	132.04	146.29	112.13	119.52
Europe (969)	139.82	-1.8	125.14	124.29	-3.2	3.44	139.63	124.94	123.89	146.66	112.63	118.73
Nordic (121)	189.90	+1.4	169.96	163.83	+0.6	1.74	189.69	169.72	163.79	198.12	137.95	144.21
Pacific Basin (667)	180.98	-6.0	161.98	164.09	-6.2	0.73	179.75	160.83	164.15	194.72	160.44	188.88
Euro-Pacific (1656)	164.70	-4.6	147.41	148.23	-5.2	1.67	163.89	146.64	148.10	174.18	141.56	160.81
North America (662)	132.19	-7.9	118.32	131.13	-7.7	3.56	132.44	118.50	131.36	146.66	112.79	120.34
Europe Ex. UK (683)	128.40	-2.1	114.92	114.59	-2.8	2.72	128.91	115.34	114.72	134.88	96.30	101.22
Pacific Ex. Japan (212)	132.96	-1.5	119.00	120.54	+0.5	4.78	132.27	118.35	119.85	140.05	111.93	133.62
World Ex. US (1849)	164.56	-4.5	147.28	147.73	-5.0	1.74	163.76	146.52	147.60	173.77	141.49	159.57
World Ex. UK (2085)	151.45	-5.9	135.55	142.60	-6.1	2.07	151.11	135.20	142.72	162.00	136.98	143.87
World Ex. So. Af. (2331)	151.40	-5.7	135.50	142.16	-6.0	2.28	150.99	135.09	142.15	161.84	136.67	144.23
World Ex. Japan (1936)	136.32	-5.0	122.01	129.38	-5.4	3.56	136.31	121.96	129.29	145.52	114.51	120.41
The World Index (2391)	151.87	-5.5	135.93	142.32	-5.9	2.29	151.43	135.49	142.31	162.05	136.68	144.13

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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Hong Kong market closed January 26. Finnish prices were not fully updated January 25/26.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

CROSSWORD

No.7,150 Set by FRESCA

ACROSS

1, 5 Leave town – as the government will in time (2,2,3,7)
9 South from an island – the way the wind blows up north? (5)
10 County's team opener (9)
11 Last of mortar dried out when spread with suitable tool (9)
12 A women's movement's one plea (5)
13 Wanting extremely naughty English edition circumscribed (5)
15 Very little time for scintillation (9)
18 Fancied going round Pennsylvania: gave up! (9)
19 Striking effect of reversing mental cerebration (5)
21 Artist, retired, cutting bread fruit (5)
23 Went on to study duet in new arrangement (9)
25 I'm put out about concert piece being extemporised (9)
26 Surly response from Greek wiseacre (5)
27 Heard visitor judged (7)
28 Elicits gold; revealed in texts after decoding (7)

DOWN

1 Sit stewing in depression – or shine? (7)
2 The lady to suit one? (9)
3 Swarthy Mexican's fragrant burden (5)
4 Clear as to arranging help for those seeking level change? (9)
5 Firm and blushing – as cook's apple will be (5)
6 Free chalks given out in a French form (9)
7 Umbrian city interchange (5)
8 Tired, needing protection from the weather at end of day (7)
14 They're bound to come out annually (4-5)
16 Fashionable set's agreement (9)
17 Irritability brought on by sick jokes? (3-6)
18 Making short of tying up (7)
20 Venerable student cuts toes: walks unsteadily (7)
22 Carried by upwardly-mobile employee pursuing money? (5)
23 Managed to get college girl across piano (5)
24 One new book about gravity casting? (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 10.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

MOTORS, AIRCRAFT TRADES

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
327.4	DAF N.V. Fl1.5	£11½	H02.5	6.1	—	—	4773
—	General Mtrs Units	123	H82½%	6.1	3.1	Mr Jn Sp D	2678
1,593.8	Jaguar	849	d12.0	1.7	18.9	May Nov	3019
8.95	March Group 5p	40	q0.64	‡	15.8	Sept Apr	3284
4,611.8	Volkswagen DM50	£292½	Q20%	1.7	—	July	—
2,184.5	Volvo Kr25	£41¼	Q56%	3.2	27.4	May	4410

Commercial Vehicles

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
22.6	ERF (Hldgs)	233	15.0	8.6	27.12	Jan Aug	2397
65.4	Plaxton Grp.	173	8.5	6.6	27.6	Dec Jun	3675

Components

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
8.40	Abbey Panels	420xd	3.5	1.1	15.1	Sept Feb	1501
19.2	Airflow Streamlines	225	6.0	3.6	30.10	Jan July	1538
	For BTS see Industrials						
20.1	Bostrom 5p	175	4.1	3.9	2.10	May Nov	1498
547.3	Dowty 50p	226	8.6	4.7	27.12	Mar Oct	2371
166.4	FR Group	225	5.54	3.3	30.10	Dec. July	2622
180.1	Kwik-Fit Hldgs. 10p	112	2.4	2.9	2.10	Nov May	3113
1,098.2	Lucas Inds. £1	648	25.0	5.2	30.10	Jun Jan	3292
3.98	Splice 5p	19	q1.2	‡	4.7	August	4079

Garages and Distributors

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
10.2	Alexanders 10p	26xd	1.0	5.1	15.1	March	1562
58.0	Appleyard 10p	124	6.6	7.2	4.9	Oct Apr	1629
3.27	Blamby Motor 20p	118	17.5	9.1	18.9	October	1427
18.3	Caffyns 50p	550	11.5	2.8	11.12	Jan. July	2031

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
12.0	Do. 7¼pc Pf	94	7.25	10.3	4.9	—	[illegible]
56.5	Egerton Trust	137	16.5	6.3	17.7	Apr. Aug.	[illegible]
12.6	[illegible] Prop. Grp. 10p	165	12.2	1.9	11.12	Aug Jan	[illegible]
5.53	Eng & O'seas Prps 10p	95	12.6	3.6	4.9	October	[illegible]
44.0	Erostin Group	280	16.0	4.0	27.11	Feb Sept	[illegible]
21.0	Ests. & Agency	350	15.0	1.9	13.11	Nov July	[illegible]
35.4	Ests. & Gen. 20p	168	13.4	2.7	2.10	Apr Nov	[illegible]
20.6	Do. 6pc Cr. Pf.	98	6.0	8.2	18.9	—	[illegible]
69.9	Evans of Leeds	213	16.15	3.8	11.12	Jan. Aug.	[illegible]
19.0	Ewart	88	h1.88	2.8	18.9	Oct Mar	[illegible]
40.0	First Intl Prp Tst	40	—	—	—	—	[illegible]
2.00	Do. Options	2	—	—	—	—	[illegible]
31.1	Five Oaks Invst 5p	64	1.6	3.2	27.11	Jan Jun	[illegible]
12.8	Fletcher King 10p	155	10.6	9.4	3.7	Mar Oct	[illegible]
54.5	F S.M. Props. 10p	124	5.0	5.4	4.9	June Oct	[illegible]
181.1	Frogmore Est 50p	454	11.0	3.2	2.10	Apr Nov	[illegible]
59.7	Grainger Trust	300	5.25	2.4	3.7	Feb July	[illegible]
572.8	Gt. Portland 50p	293	9.0	4.1	27.11	Jan. Jly.	[illegible]
50.5	Do 9½pc Cv Ln 2002	£127	Q9½%	F8.0	16.10	June Dec	[illegible]
21.4	Green Property Ir25p	135	Q18.2%	3.0	31.7	Mar Sept	[illegible]
380.3	Greycoat 10p	437	14.5	1.4	11.12	Jun Oct	[illegible]
146.1	Hambro Countryside 5p	47	2.6	‡	17.4	Jul Oct	[illegible]
1,002.1	Hammerson "A"	788	17.0	2.9	30.10	Dec June	[illegible]
6.48	Hanover Druce 10p	108	5.0	6.2	16.10	July Dec	[illegible]
46.5	Hardanger Prop 10p	625	28.13	6.0	27.12	July Jan	[illegible]
53.2	Helical Bar 5p	281	15.8	2.8	2.10	Jly Nov	[illegible]
14.8	Do. 5¼pc Cv Pf '12	78	5¼%	9.0	15.1	Jan July	[illegible]
18.5	Herring Son & Daw 10p	167	14.0	3.2	18.9	May Nov	[illegible]
1,437.0	HK Land Hldgs	57	1038c	5.4	12.10	Jun Nov	[illegible]
32.0	INOCO 10p	15½	0.23	2.0	13.2	April	[illegible]
96.6	Int. Inc Prpty $0.01	880	Q51.08	8.1	12.5	Mr Je Sp Dc	[illegible]
5.00	Jermyn Invest	250	2.5	1.3	22.5	Jun Feb	[illegible]
12.1	Kentish Prop. 5p	61	3.75	8.2	8.5	June Nov	[illegible]
2.21	Key City Prop	33	—	—	—	—	[illegible]
337.5	Laing Properties	561	10.25	2.4	16.10	May Nov	[illegible]
51.5	Do 8¼ pcLn 2000-05	£258	Q8¼%	3.5	13.11	June Dec	[illegible]
2,555.1	Land Securities £1	503	14.4	3.8	27.11	Dec. July	[illegible]

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
174.1	Monument Oil 5p	36½	—	—	—	—	3406
11.3	New London 5p	19	—	—	—	—	3480
—	NZ Oil & Gas NZ$0.50	36½	—	—	—	—	—
3,080.9	Norsk Hydro Kr20	£15	Q18¼%	2.3	29.4	June	3514
13.0	North Sea Assets 5p	24	—	—	11.85	—	3528
3,552.9	Occidental Pet. 20c	£16⅞	Q$2.50	8.7	6.9	Ja Ap Jy Oc	—
—	Ohio Res.	27½	—	—	—	—	—
11.6	Oliver Res.	27	—	—	—	—	1469
—	Pan Pacific Pet.	2½	—	—	—	—	4850
3,574.1	Petrofina SA	£197	BFr400	3.2	22.5	—	—

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
1.34	Taejong 15p	98	—	—	6'81	—	—

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	85	−2
Craig & Rose £1	830	......
Finlay Pkg 5p	56	......
Holt (Jos) 25p	1348	......

IRISH

Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln. 1996	£95¼	......
Fin. 13% 97/02	£114	......
Arnotts	405	−5
Carrol (P.J.)	165	−3
Hall (R. & H.)	190	......
Helton Hldgs.	100	......
IRG	285xd	+5
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5½
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A.	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Conrol Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tusker Res	12
Ultramar	28½

Mines

Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices January 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	24¾	AAR	.48	1.6	18	1030	30⅜	30⅛	30¼	–⅛
9¾	9½	ACM n	1.07	11.		508	9⅝	9⅜	9½	+⅛
11⅝	10½	ACMIn	1.26	11.		641	11¼	11	11	–⅛
9⅞	8	ACMM n	1.01	12.		247	8⅞	8⅝	8⅝	–¼
12⅛	12	ACMMM				353	12⅛	12	12	–⅛
11½	10	ACM Sc	1.26	11.		1866	11⅛	11	11	
9⅝	8⅛	ACMSp	1.01	11.		514	9⅜	9⅛	9¼	
19⅛	11½	AL Lab	.16	.9	18	75	17⅞	17⅝	17¾	
4⅛	3¼	AMCA	.12e	3.6	8	77	3⅜	3⅜	3⅜	
6⅛	3⅝	AM Intl			8	2255	3⅝	d3½	3⅝	
23½	16⅝	AM In pf	2	12.		z72	17⅛	16¾	16⅞	–½
137¼	52⅝	AMR			6	9576	58⅞	58	57⅞	–⅞
5⅞	3⅛	ARX				137	3⅝	3½	3½	–⅛
66	39	ASA	3a	4.6		2535	65⅞	64¾	65⅜	+⅝
70⅜	46⅛	AbtLab	1.40	2.2	17	2841	65	63¾	64½	+⅝
18⅛	11⅛	Abitibi g	.50			43	11⅞	11⅝	11⅝	
13	9⅛	AcmeC	.40	4.1	11	885	10	9⅝	9⅝	+⅛
9⅛	6	AcmeE	.32	3.5	12	8	9⅛	9	9⅛	+⅛
38½	22	Acuson			20	798	30½	29⅜	29¾	–1
16½	12⅞	AdaEx	2.06e	14.		65	15⅛	15⅛	15⅛	
15⅛	6⅞	Adobe				118	13⅛	12⅝	13⅛	+⅝
20⅛	16½	Adob pf	1.84	9.6		10	19⅛	19⅛	19⅛	+⅛
21⅝	19⅞	Adob pf	2.40	11.		30	21⅛	21⅛	21⅛	–⅛
10½	7⅛	AMD			17	2059	7⅜	7⅛	7½	–⅛
36	28½	AMD pf	3	10.		55	29⅛	28⅞	28⅞	–⅛
10⅛	6¼	Advest	.16	2.6	8	101	6⅜	d6⅛	6¼	–⅛
62½	47⅝	AetnLf	2.76	5.6	8	1845	50	49	49⅛	–⅞
14	9⅞	AffilPb	.24	2.3		818	10⅛	10⅜	10½	
25	16⅛	Ahmans	.88	5.1	9	1509	17½	17⅛	17¼	
3⅞	2⅛	Aileen				150	2⅛	d2⅛	2⅛	–⅛
50⅛	40	AirPrd	1.32	2.8	12	550	46⅞	46⅛	46⅞	+½
25⅝	21½	AirbFrt	.60	1.8	17	235	34	33⅛	33½	–⅛
25⅛	16	Airgas			10	19	17¼	17½	17⅝	
20¾	18¼	AirLease	2.40	12.	11	12	19⅞	19⅝	19¾	+⅛
24⅛	21⅛	AlaP pf	2.08e	9.3		7	22⅛	22⅛	22⅛	+⅛
10⅛	8½	AlaP dpf	.87	9.1		10	9⅞	9⅝	9⅝	–⅛
98⅝	89⅛	AlaP pf	9	9.6		z360	93½	93	93½	
93	80⅛	AlaP pf	8.16	9.3		z50	88	88	88	–½
91	80⅞	AlaP pf	8.28	9.6		z500	88	86⅛	86⅛	–2⅛
30½	19⅛	AlskAir	.20	.9	7	728	21⅜	21	21⅛	–⅜
23½	15¼	Albnyln	.35	2.0	11	4	17⅝	17⅛	17⅝	–⅛
53½	32⅛	Alberto	.40	.9	18	69	42⅞	42	42½	
41½	27	AlbCulA	.40	1.2	15	85	35⅛	34⅛	34⅛	–½
60⅛	39⅝	Albtsn	.80	1.6	17	1814	52½	50⅛	51⅛	–1⅛
25⅛	19⅝	Alcan s	1.12	5.5	6	4641	20⅞	20⅛	20½	
36⅛	25⅛	AlcoStd	.84	2.8	11	779	30½	30	30½	–⅛
34	22⅝	AlexAlx	1	3.9	17	1217	26⅛	25	25½	–⅛
71⅛	48	Alexdr			26	37	51⅞	50⅛	50⅛	–1
100½	74⅛	AllegCp	1.63t	1.9	11	26	88	86½	87	+1
2⅛	⅛	vjAlgInt				934	⅛	⅛	16-32	+3-32
4⅛	5-32	vjAlgI pr				601	½	⅜	½	+3-16
15⅛	7-16	vjAlI pfC				194	⅝	¼	13-16	
41⅝	32⅛	AlgLud	1.20	3.2	7	94	37⅞	37½	37⅝	
42½	35⅝	AllgPw	3.16	7.9	11	2889	40⅛	39⅞	40	+⅛
16⅝	9	AllenG			17	184	11½	11⅛	11⅛	–⅛
19⅞	11½	Allen pf	1.75	11.		61	16⅝	16½	16⅝	+½
25½	13⅜	Algn n	.12e	.9		r3337	14⅞	d12⅛	13⅞	

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¾	42¾	RepNY	1.32	2.8 11	88 475	48	47¾	47½	– ¼
16⅛	2⅛	Rueno			1.13828	2¼	d 1⅞	2⅛	– ⅛
33⅞	19⅞	ReyRey	.80	4.1 8	191	19⅞	d19½	19½	– ⅛
62¾	48½	ReyMt	1.80	3.6 .5	2088	50¾	49⅝	50⅛	– ⅝
19	17¼	RhP pfA			5	17⅞	17⅞	17⅞	+ ⅛
3½	1⅞	RhoP wt			65	2⅝	2⅝	2½	– ⅛
22	18⅝	RhmPl n			184	19⅝	19	19¼	– ⅜
41½	29½	RiteAid	.90	2.9 12	1417	31⅝	30½	31	– ⅝
19⅞	15¾	RbtHlf		18	10	17½	17⅜	17⅜	– ⅜
12¾	8⅞	Robtan			115	10⅛	9¾	10⅛	+ ⅜
22⅛	17	RochG	1.56	7.6 12	1604	21¼	20⅞	20½	– ¼
45¾	28¾	RochTl	s1.46	4.7 14	812	32½	30¼	31⅛	– 1⅞
22⅛	18½	RckCtr	1.88	9.3 18	588	20⅛	20	20⅛	– ¼
27⅛	19¾	Rockwl	.78	3.5 8	3406	23	22	22	– ⅞
7⅝	4⅞	RodRen			7	5⅝	5⅝	5⅝	– ⅛
37½	29⅝	RoHaas	1.20	4.0 11	580	30⅝	30	30¼	+ ¼
37⅞	18⅞	Rohr		24	357	18¼	18	18	– ⅜
14⅛	9⅝	RollinE	.08	.6	949	13	12½	12¾	+ ¼
21	16⅞	Rollins	.56	3.2 18	145	18⅛	17⅝	17⅝	– ⅜
10⅛	7⅜	RolTch	.20b	2.7 8	238	7⅝	7½	7½	– ¼
64⅝	38⅛	Rorer	.84	1.4 25	4629	61½	60¼	60⅞	– ¼
12	5⅝	Rowan			1788	10⅛	9⅞	10⅛	– ⅛
25¾	23¼	RBScot	pc.71e	2.8	40	25	24⅝	24⅞	– ⅛
78¼	57⅞	RoylD	3.38e	4.6 7	6180	73⅝	72⅛	72⅞	+ ⅜
18	8½	Roylst	.20a	2.0 12	122	10	9⅞	10	+ ⅛
10	6¼	Royce	.52e	6.0	437	8¾	8½	8⅝	
37⅞	25¾	Rubmd	.52	1.6 22	1042	32¾	31	31⅛	– ⅝
21¼	14⅛	RussBr	.40	2.7 18	177	15	14⅞	15	+ ⅛
16	9¼	RussTg	.20	2.0 189	81	9⅞	9⅝	9⅞	+ ⅛
28½	18	Russell	.32	1.3 16	844	25¼	24⅞	25⅛	
31⅛	19	Ryder	.60	3.2 21	3034	19¼	d18⅝	18⅝	– ¾
29½	19⅞	Rykoff	.60	2.7 14	351	22⅝	22½	22½	– ⅜
25¾	18⅛	Ryland	.60	3.2 7	495	18⅝	18⅝	18⅝	– ¼
14⅞	9⅝	Rymer			48	10¼	10	10	– ¼
10⅝	9¼	Rymr pf	1.17	12.	10	9⅝	9⅝	9⅝	– ¼
		– S – S – S –							
41	31	SCEcp	2.56	6.9 10	4366	37	36⅝	37	+ ⅛

12 Month High	Low	Stock	Div.	Yld. P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
4¼	2⅛	Zapata			570	2½	2⅜	2½	
12½	7⅛	Zemex	.20	2.7	8	7½	d 7½	7½	– ⅛
21½	9⅞	ZenithE			1773	10⅛	d 9⅝	9¾	– ⅜
21½	16¾	ZenNtl	.84	4.8 8	75	17½	17½	17½	– ⅛
10	6	Zenix	1.08	18.	419	6	d 5⅞	5⅞	– ¼
18½	14⅛	Zero s	.40	2.7 14	96	15¼	15	15	– ⅜
44¼	25¾	Zurnin	.76	2.1 16	384	35½	34⅞	35⅜	– ⅛
12⅞	10	Zweig	1.21e	11.	602	11½	11⅛	11⅛	– ¼
10	8¼	ZweigTl	.96	9.8	1502	9⅞	9¾	9¾	– ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices January 26

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices January 26

Stock	Div.	Sales 100s	High	Low	Last	Chng
USWNV		1980	33	30	31¼	– 1¾
UStatn	.40	9 392	12⅝	d12⅛	12⅜	– ⅛
UnTelev		51 4	33¼	33¼	33¼	– ¼
Univog		21 316	13⅛	d12⅛	12⅞	– ⅜
UnvHlt	.20e	17 45	9¼	9¼	9¼	
UtahMd		24 399	8⅞	8½	8½	– ⅛
– V – V –						
V Band		1045	3⅝	3½	3⅝	– ⅛
VLSI		325 182	6½	6⅜	6½	
VMS II	.72	3 33	3⅞	3¾	3⅞	+ ⅛
VMX		79 1090	2 7-16	2¼	2⅜	+ 1-16
VSB Bc	.60	24	11½	11¼	11¼	– ⅜
VWR	.60	15 56	16½	16	16	
ValidLg		10 1728	3¼	3	3	– ⅛
ValyB	1.12	10 5	25	24½	25	– ¼
ValFSL		253	1⅞	1⅝	1⅞	+ ⅛
Valtel		4122	14⅛	13⅝	13⅞	+ ⅛
Valmnt s	.26	10 65	16⅝	16¼	16½	– ¼
VgrdCl s		1107	27½	25¼	26	– 1½
Varitm		7 50	6	5¾	5¾	– ¼
Varian	.60	8 39	17¼	17	17¼	
Vicorp		17 10	15⅝	15⅛	15⅝	– ⅛
Vipont	t	29 251	13⅞	13	13⅞	+ ½
VaBch s		2 106	3⅝	3½	3½	
Vitalnk		16 1377	15¾	15½	15¾	
Vivigen		52 238	21	19¾	20½	– ½
Volvo	1.04e	7 44	65⅛	65	65	– ⅛
– W – W –						
WD 40	1.72	16 35	33	32½	32½	
WTD		4 312	10	9⅛	9⅝	– ⅜
WashEn	1.32	13 600	20⅜	20	20⅛	
WFSL	1.32	9 459	38	36¾	37¼	
WshFGr	.30	15 101	12	11¼	11½	– ⅛
WMSB	.40	14 350	17	16⅜	16⅜	– ¼
WMSB pf	3.75	2	43¼	43¼	43¼	
WatsInd	.20	18 s381	35¼	34¼	34¾	– ½
WausP	.68b	14 67	33¼	33	33¼	– ⅛
Waver	.35	61 51	25	23⅞	25	+ 1⅜
Wetek		32 699	17½	16⅝	16⅝	– ⅜
Werner	.12	12 1	18½	18½	18½	
WstOne	s.88	8 92	23¼	22½	23	+ ¼
WstCap		90	7⅛	6⅞	7	+ ⅛
WnWste		21 219	30½	29¼	29¼	– 1⅛
WstnPb		16 1262	19¼	17⅝	18⅛	+ ⅜
Wstmrk		25 1391	43¼	40¼	41¼	– 1½
WmorC		14 37	23¾	23	23¾	
Weston		267 51	8	7¾	8	+ ⅛
WetwCm		1386	7	6½	6⅝	+ ⅛
Wetra	.80	14 425	27⅝	27¼	27⅝	
Whlclub		23 43	14	13¾	13¾	– ¼
WillyJ A	1.10	85 61	51	49	51	+ 2
Willamt	1.45	6 826	49	48½	48½	
WmSon s		27 37	29¼	27½	28¼	+ ¾
WilmTr	1.44	11 s570	37	36¼	37	+ ¼
WiscTy		18 105	11½	11	11	– ½
WiserO	.40	34 324	20⅜	20	20⅛	+ ⅛
Wolohn	.26b	9 132	16⅜	16	16½	+ ¼
WivEx h		937	11⅝	11⅛	11⅛	– ½
Worthg	.56	16 1573	20⅞	d20½	20⅞	+ ⅛
Wyman	.80	584	13½	d12½	12½	– ⅝
– X – Y – Z –						
XL Dta s		6 589	8¾	8⅛	8⅝	– ⅛
XOMA		930	21¼	20	20⅜	– ½
Xicor		6 1374	3½	d 3	3⅛	

The Business Column

A western value for eastern currency

When the chairmen of the Midland, Lloyds and Chase Manhattan banks all urge caution, as they did last week, about rushing into eastern Europe, it underlines the enormous difficulty that the emerging democracies will have in priming their economic pumps. And for that they can blame the Third World debt crisis which has scarred a whole generation of bankers.

But there is a way in which banks can play a useful role in facilitating the flow of goods and know-how from West to East: by trying to devise ways of overcoming the East-West currency gap.

The fact that forints, zlotys, lei and the rest are not fully convertible in the western sense will be an enormous hurdle during the crucial formative years of these nascent market economies. The irony of the situation is that the currencies will only become convertible once these countries get back on their feet, by which time their need for western help will be smaller.

If some way could be found, now, of endowing eastern European currencies with a value in the West, the benefits would be considerable.

Before last year's momentous events, the currency issue was an irrelevance because there was no prospect of reform. The few ideas for getting round it came back to barter or joint ventures – which was highly unsatisfactory for eastern Europe's trade partners. And that continues to be the case.

Convertibility odds

But one important thing has changed: the odds on eastern European currencies becoming convertible have now moved from zero to – well, that is for the market to decide. And that is where the bankers come in. The financial wizards who construct $25bn management buy-outs on the promise of flimsy profit forecasts, or trade billions of dollars worth of specialised instruments based on wildly fluctuating future values, should be able to devise some way of betting on the convertibility rate of eastern European currencies.

Here are some ideas to get things going.

The aim must be either to secure payment now in a more readily acceptable form than barter, or to make credible arrangements for payment later when the currency becomes convertible. Fortunately, a number of large and active markets already exist where speculators can take positions on the future value of a variety of financial instruments. These could be adapted for eastern currencies.

I am thinking, for example, of financial futures. Using Hungary as a model, a futures contract might be devised to enable a speculator to sell dollars against the forint in the expectation of receiving many times their value in Hungarian currency once convertibility occurs. The value of the forint contract would rise steadily over time as the Hungarian economy improved and full convertibility approached. This would help underpin the market and facilitate secondary trading.

Options market

Similar use could be made of the options market. The speculator would pay dollars for an option on a given amount of forints. The option and the futures contract would, in effect, become forint instruments, and a sizeable market could develop to generate dollars for exporters to Hungary.

And what about zero coupon bonds as a means of deferring payment? A Hungarian importer would issue 10-year forint bonds to his supplier (or more likely to his bank). These would not pay interest, but be issued at a deep discount to their face value. When they became due the forint would have become convertible and the issuer would redeem the bonds for their full value.

People may object that no one could possibly know what the ultimate convertibility rate would be, and that would inhibit trading. Actually, the market itself would determine that rate because if these instruments take off the Hungarian Government would be forced to accept them as the best indicator of the forint's external value.

It's all pie in the sky, of course. But so were junk bonds 10 years ago.

David Lascelles

MONDAY INTERVIEW

Energetic 'man of numbers'

Alberto Vitale, the chairman of Random House, talks to **Alan Friedman**

Alberto Vitale, according to wags in the New York publishing world, is more a man of numbers than of letters. And in a business where success used to be measured by the size and shape of power lunches at New York's Four Seasons restaurant, Vitale is undoubtedly "Mr Bottom Line."

Above all, however, the new chairman of Random House, the US's biggest trade publisher, is a soft spoken, but tough-minded manager with a big job on his hands.

The Italian-born Vitale, a diminutive 56-year-old who spent much of his career working for Olivetti and Italy's Agnelli group before shifting to publishing in the 1970s and rising to the top spot at Bantam-Doubleday-Dell in the US, has none the less made his name as a cost cutter.

At Bantam-Doubleday, which is owned by West Germany's Bertelsmann group, Vitale presided over an important restructuring of the business. He slashed 700 of the publisher's staff of 1,500 and generated bestsellers such as the autobiography of Chrysler chairman Lee Iacocca, which sold more copies than any book in the 1980s and has so far sold more than 7m copies. His aides at Bantam used to call Vitale "The General". The term refers not so much to his demeanour as to his organisational and management skills, his attention to detail and his ability both to create and to implement complex strategies.

The nickname may also refer to the fact that he is capable of marching into a publishing concern and leaving a swathe of redundancies in his trail. Within one week of being named president of Bantam-Doubleday-Dell in 1987, Vitale began to implement a detailed management plan. He boosted profits by 30 per cent in his first year on the job. Some of Random House's 3,000 employees are now fretting: in an organisation that needs to save on overheads by streamlining its administrative and distribution operations, they fear the hatchet.

Mr Vitale, in his new 12th floor office at Random House's midtown headquarters, promises that "there will be gradual change, as needed, rather than shock therapy."

His friend Roger Straus, patriarch of independent publishers Farrar, Straus & Giroux, has predicted a "bloodbath" at Random House. "Mr Vitale, one of the most competent people in this industry, was brought in to orchestrate the blood bath," he says. Mr Vitale firmly rejects the notion that he is a hatchet man. "Nonsense!" he says, adding that at Random House there is simply no need for the kind of drastic cuts he made at Bantam-Doubleday. Besides, he says humorously, "what does Mr Straus know about what is going on at Random House?"

Vitale, a Jew from the Piedmont region of northern Italy whose family fled to Egypt in 1940, bristles at the idea that he will somehow flood Random House with pulpy bestsellers in order to reshape the lumbering giant.

"Rubbish!" he replies, pointing out that prestige divisions such as Alfred Knopf must preserve their separate identity and literary standards.

No one, however, has been as vocal over the past year about the dangers for the US publishing industry, which in recent years has gone on a financial joy ride as wild as the bonfire-of-the-vanities excesses of Wall Street in the 1980s.

In New York, John Baker, the British-born editor of Publishers Weekly, says Vitale "was the first senior publisher to blow the whistle on alarming trends such as spiralling overheads, outrageous author advances, exaggerated print runs, insufficient marketing and a certain decline in the efficiency of book chains." In London, Lord Weidenfeld calls Vitale "the best financial brain in the publishing industry."

Vitale was trained at the University of Pennsylvania's Wharton School and is a former Fulbright scholar. He arrives at Random House at a time when the US publishing industry, if not in crisis, is in something of a slump. Simon and Schuster, another old name in New York publishing, was problematic enough last year, especially on its textbook side, to cost its owner, Paramount Communications, a $140m special write-off.

At Random House, which has an estimated turnover of $800m a year and which Vitale likes to describe as "the Rolls Royce of trade publishing," the challenges are different. The company is profitable, with the exception of a part of its recently acquired Crown Publishing division and some of its UK imprints, but it needs to achieve economies of scale among its various subsidiaries, including the newly regrouped British holdings – Century Hutchinson, Chatto & Windus, Jonathan Cape and The Bodley Head. And the book industry was stunned last November by the sudden resignation of Vitale's predecessor at Random House, the legendary Bob Bernstein, an old-school publishing executive who has been criticised for being too affable and not willing enough to push through hard management decisions.

"Publishing," says Vitale, "is a tough and intimidating business where you start every day banking on the books." Vitale has already proven himself at banking on the right books, never more so than with the Iacocca title. The idea was his and grew out of a talk over a lunch he shared with a colleague in August 1981. A few weeks later Vitale flew to Detroit to persuade Iacocca to go ahead with the book. But that was at Bantam, a younger company that Vitale was to remake. Random House will be something of a change for him.

Alberto Vitale's life has been more varied than the careers of most other top men and women in US publishing. In his native Italy the press likes to say that "the king of American publishers is an Italian." And while he obtained US citizenship in 1982, his Italian background is central to understanding Vitale and the European style he brings to Random House.

Born in Vercelli, not far from Turin, Vitale lived with his family in Cairo from the age of six until he was 18. He took a degree in economics at Turin in 1956, spending a couple of summers at Christ's College, Cambridge where he studied English. It was at Cambridge that he met Gioetta, an ebullient Milanese woman whom he married in 1960.

Like other bright, young northern Italian economics graduates in the 1950s Vitale found a mentor in Adriano Olivetti, the visionary boss at what was then mainly a typewriter firm. Olivetti invited Vitale to study at IPSOA, his newly founded business school, and then helped him win a Fulbright scholarship to the Wharton School. When Vitale returned to Piedmont in 1958 he worked at Olivetti, moving to the US a year later to help integrate the company's acquisition of Underwood.

In 1971 a fellow executive at Olivetti's US operations – Gianluigi Gabetti – was recruited by Gianni Agnelli to run IFI, the Agnelli family holding company. Mr Gabetti recruited Mr Vitale to manage IFI's share portfolio. In 1974 IFI bought Bantam Books; Mr Vitale worked on the deal. He decided to stay in publishing when the Agnellis sold Bantam to Bertelsmann in a two-stage deal between 1977 and 1980. He rose through the ranks, according to some by elbowing aside the competition, but truly proved his mettle by integrating Doubleday into the group from 1987 and turning the troubled group around.

With a sense of determination known in his native Italy as *grinta*, Mr Vitale has combined a smooth Italian personal style with hardnosed US management techniques, but not every appointment has gone well. Eyebrows were raised last week when Nancy Evans, the 39-year-old Doubleday president picked by Mr Vitale three years ago, quit abruptly amid criticism of her management capabilities. But Mr Vitale defends his protégée and says her appointment was "a good thing" because it helped turn around the image of Doubleday at a time of great difficulty.

Now the workaholic Mr Vitale has a brief from Random House owner S.I. Newhouse to cut costs and improve profits. "The biggest problem in publishing is the relationship between costs and prices," he says, promising to increase book prices in order to recoup overheads. But how will he do it on his own at Random House? "I will put prices up where I can and take my chances," he replies.

– Some things will not change for Mr Vitale. He still works 12-to-14-hour days, still dashes to a vacation house in Palm Beach whenever he has time and still commutes between a *pied-à-terre* on Manhattan's Upper East Side and his home at Mamaroneck in suburban Westchester, where he keeps *Gioetta*, his sailing yacht, anchored on the Long Island Sound. Vitale also still shuttles to Italy when he can and favours the food at Castellano, one of New York's excellent Italian restaurants.

When asked which books he is currently reading for pleasure, the boss of America's biggest trade publisher answers: "Very few, because I don't have the time." He is, however, racing through The Russia House by John Le Carré, a Random House author.

Whether he is a man of numbers or a man of letters matters little to Alberto Vitale. As the most senior Italian in the US corporate world, he is pleased to be in the hot seat at Random House. Despite the talk in New York he insists there will be no sudden shake-ups at the "Rolls Royce" of trade publishing. "It would be silly," he says with a shrewd grin, "to tamper with a Rolls."

PERSONAL FILE

- **1933** Born, Vercelli, Piedmont; educated Turin University, IPSOA business school, University of Pennsylvania's Wharton School
- **1958** Joined Olivetti, moved to US in 1959
- **1971** Executive in Agnelli family's IFI holding group in Turin
- **1975** Joined Bantam Books in New York as executive vice president for administration
- **1985** Appointed co-chief executive at Bantam
- **1986** Appointed sole chief executive at Bantam
- **1987** Named president and chief executive of Bantam-Doubleday-Dell
- **1990** Chairman, president and chief executive of Random House

'Publishing is tough; you start every day banking on the books'

The task of rooting out undesirables

JUSTINIAN

EVERY profession is empowered to organise itself so as to exclude from its ranks those who are deemed unfit or unable to meet professional obligations and to discipline those of its members who breach the profession's ethical code.

To exercise disciplinary powers for defined misdemeanors by members is relatively easy; to assess the future behaviour of potential entrants to the profession is more arbitrary and hence more difficult to administer.

The Law Society controls the entry of solicitors into the legal profession. Solicitors are by definition officers of the Supreme Court of Justice.

As such particular care is taken to ensure that standards of entry into that branch of the legal profession are kept high. The Master of the Rolls, who presides over the Court of Appeal in its civil jurisdiction, is the final arbiter over the admission of solicitors.

The Law Society's criteria for fitness to become a solicitor was put to its severest test recently when it had to consider an application from someone to become an articled clerk preparatory to qualifying as a solicitor.

The applicant had been, when he was 17-years-old, involved in an incident in a club which led to him fatally stabbing another man.

The Master of the Rolls, who presides over the Court of Appeal in its civil jurisdiction, is the final arbiter

There was evidence to suggest that the deceased victim had initiated the incident but at the criminal trial the plea of provocation was rejected by the jury.

The applicant was convicted of murder and automatically sentenced to life imprisonment.

Had the penalty for murder been a matter of discretion, no doubt the sentence would have been a determinate period of years, probably somewhere between five and eight.

The applicant had been released from prison on parole licence after having spent an equivalent time in prison. Under a life licence, a person is liable to recall to prison by the Home Secretary at any time if it is thought that he has committed or might commit further serious offences.

But the liability to recall remains in force for the rest of the individual's life. Whether a person sentenced to life imprisonment is released on parole he or she is normally made subject to supervision.

Conditions of reporting to a probation officer may be – and usually are – imposed. But they are normally cancelled after about four years from the date of release.

The final decision rests with the Home Secretary who may not accept a recommendation for the cancellation of supervision requirements.

One can assume that if the applicant who was seeking to become a solicitor had not already ceased to be subject to supervision he would expect to have it removed.

Were he not to have it cancelled, that might justify a refusal by the Law Society to admit him to the roll of solicitors. But should the fact of a murder conviction followed by a lifetime liability to be recalled to prison be a bar to becoming a solicitor?

The Council of the Law Society, in secret conclave, decided by 34 votes to 11 to exclude the applicant from becoming a solicitor.

Although murder as a crime is rightly regarded as the most heinous offence, the gravity of any particular murder depends upon so many circumstances that any attempt to put murders into categories is an impossible task.

The Royal Commission on Capital Punishment (1949-1953) attempted to classify murder but concluded that 'the object of our quest is chimerical and it must be abandoned.'

Murder in fact covers the whole spectrum of violent and unnatural death, from the professional contract killing or terrorist bombing to the mercy killing by a parent on a hopelessly handicapped baby. The problem for those who must judge the quality of the particular acts of murder is to gauge the degree of moral responsibility.

Murder is so frequently a one-time action committed by people who otherwise in their lives are law abiding citizens and who inflict the one fatal blow in a situation of emotional or psychological stress.

After the crime has been committed, they almost invariably revert to normal, acceptable social behaviour.

Those who spend their working lives as solicitors advising clients on their legal problems, often handling large sums of clients' money, need above all to be persons of integrity and impeccable honesty.

Convictions for fraud or theft may indeed indicate a mental state that properly precludes them from such professional work.

A single act of violence resulting in a fellow human being losing his or her life is not under any circumstances to be lightly dismissed.

Murder is so frequently a one-time action committed by people who otherwise are law abiding

But, depending on the nature of homicide and the reinstatement of the offender into society, there should be no obstacle to reception into the legal profession.

Perhaps this is a case where the Master of the Rolls Lord Donaldson, should step in and reverse the Law society's incorrect decision.